

ST. JOSEPH CHARTER TOWNSHIP
BERRIEN COUNTY, MICHIGAN

FINANCIAL REPORT

December 31, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

| | | | |
|---|--------------------------------|--|--------------------------|
| Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Government Name ST. JOSEPH CHARTER TOWNSHIP | County BERRIEN |
| Audit Date 12/31/05 | Opinion Date 1/31/06 | Date Accountant Report Submitted to State: April 4, 2006 | |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, comments and recommendations.

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

| | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations. | ✓ | | |
| Reports on individual federal financial assistance programs (program audits). | | | ✓ |
| Single Audit Reports (ASLGU). | | | ✓ |

| | | | |
|--|--|---------------------------|-----------------------|
| Certified Public Accountant (Firm Name) GERBEL & COMPANY, P.C. CPA'S | | | |
| Street Address 830 PLEASANT STREET | | City ST. JOSEPH | State MI |
| Accountant Signature <i>Robert R. Gerbel CPA</i> | | ZIP 49085 | Date 4-4-06 |

ST. JOSEPH CHARTER TOWNSHIP
BERRIEN COUNTY, MICHIGAN

FINANCIAL REPORT

December 31, 2005

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St. Joseph Charter Township

Management's Discussion and Analysis

As management of St. Joseph Charter Township, we offer readers of the St. Joseph Charter Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended December 31, 2005. This discussion and analysis is designed to a) assist the reader in focusing on the significant financial issues that occurred during the year, b) provide an overview of the financial activities of the fiscal year, c) identify changes in the Township's financial position, d) identify any material deviations from the approved budget, and e) identify individual fund issues or concerns. All amounts are expressed in actual dollars.

Financial Highlights

- The assets of St. Joseph Charter Township exceeded its liabilities at the close of the most recent fiscal year by \$12,158,823. Of this amount, \$7,787,940 may be used to meet the government's ongoing obligations to its citizens and creditors.
- The Township's total net assets increased \$594,516 from 2004.
- As of the close of the current fiscal year, the St. Joseph Charter Township's governmental funds reported combined ending fund balances of \$3,240,355, an increase of \$140,111. Approximately 97.7% of this total amount, \$3,165,755, is available for spending at the Township's discretion.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$1,281,716, or 101.4% of total General Fund expenditures for 2005.
- The St. Joseph Charter Township's total debt decreased by \$43,896 during the current fiscal year.
- The proprietary funds reports net assets of \$4,835,857, an increase \$230,670 from the previous year

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to St. Joseph Charter Township's basic financial statements. The Township's basic financial statements comprise three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government wide financial statements are designed to provide readers with a broad overview of St. Joseph Charter Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of St. Joseph Charter Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of St. Joseph Charter Township is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of St. Joseph Charter Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of St. Joseph Charter Township include legislative, general government, public safety, public works, recreation and cultural and interest on long-term debt. The business-type activities of the Township included the water and sewer funds.

The government-wide financial statements can be found on pages 3 - 4 of this report.

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. St. Joseph Charter Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of St. Joseph Charter Township can be divided into three categories: Governmental funds, Proprietary funds, and Fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of a government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

St. Joseph Charter Township maintains ten individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the major funds - General Fund, Public Safety Fund, Garbage and Rubbish Collection Fund, and Water Replacement and Improvement Fund. The data for the remaining non-major governmental funds are combined into a single aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

St. Joseph Charter Township adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for the General Fund, the Public Safety Fund, and the Garbage and Rubbish Collection Fund to demonstrate compliance with the respective appropriated budget.

The basic Governmental Fund Financial Statements can be found on pages 5 - 8 of this report.

Proprietary Funds

St. Joseph Charter Township maintains one type of proprietary fund – Enterprise Fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. St. Joseph Charter Township uses enterprise funds to account for its Water and Sewer Funds. The Township has no internal service funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Funds and are considered to be major funds of the Township.

The basic Proprietary Fund Financial Statements can be found on pages 9 - 12 on this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support St. Joseph Charter Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

St. Joseph Charter Township is a trustee/agent for other government units for which it collects tax payments. The Township is responsible for ensuring that the tax dollars collected in the Tax Fund is distributed to the proper government unit. The Township is also trustee/agent of water and sewer payments received from Township residents served by the City of Benton Harbor Water Billing Department. The Township is responsible for the distribution of these escrowed funds to the City of Benton Harbor and to the Water and Sewer Funds in the Proprietary Fund.

The basic Fiduciary Fund Financial Statements can be found on page 13 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes of the financial statements can be found on pages 14 - 25 of this report.

Other Information

Following the basic financial statements is additional required supplementary information that further explains and supports the information in the financial statements. The required supplementary information includes budgetary comparison schedules.

The combined statements referred to earlier in conjunction with non-major governmental funds are presented immediately following the required supplementary statements.

The supplementary information can be found on pages 26-44 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of St. Joseph Charter Township's financial position, assets exceeded liabilities by \$12,158,823 at the close of the most recent fiscal year.

A portion of St. Joseph Charter Township's net assets - \$4,296,283 (35.3%) reflects its investment in capital assets (e.g., land, buildings, building improvements, land improvements, books, vehicles, furniture and equipment, and utility systems), less any related debt used to acquire those assets that is still outstanding. St. Joseph Charter Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although St. Joseph Charter Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

St. Joseph Charter Township Statement of Net Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|------------------------------------|----------------------------|--------------------|-----------------------------|--------------------|---------------------|---------------------|
| | FY 2005 | FY 2004 | FY 2005 | FY 2004 | FY 2005 | FY2004 |
| Current and other assets | \$5,780,547 | \$5,588,495 | \$2,324,487 | \$1,825,884 | \$8,105,034 | \$7,414,379 |
| Capital Assets | <u>1,804,000</u> | <u>1,705,413</u> | <u>2,575,183</u> | <u>2,847,587</u> | <u>4,379,183</u> | <u>4,553,000</u> |
| Total Assets | <u>\$7,584,547</u> | <u>\$7,293,908</u> | <u>\$4,899,670</u> | <u>\$4,673,471</u> | <u>\$12,484,217</u> | <u>\$11,967,379</u> |
| Long-term liabilities Outstanding | \$141,227 | \$ 185,123 | \$ 3,983 | - | \$145,210 | \$ 185,123 |
| Other Liabilities | <u>120,354</u> | <u>149,665</u> | <u>59,830</u> | <u>68,284</u> | <u>180,184</u> | <u>217,949</u> |
| Total Liabilities | <u>\$261,581</u> | <u>\$ 334,788</u> | <u>\$63,813</u> | <u>\$68,284</u> | <u>\$325,394</u> | <u>\$403,072</u> |
| Net Assets: | | | | | | |
| Invested in capital assets, net of | | | | | | |
| Related debt | \$1,721,100 | \$1,577,920 | \$2,575,183 | \$2,847,587 | \$4,296,283 | \$4,425,507 |
| Restricted | 74,600 | 39,160 | - | - | 74,600 | 39,160 |
| Unrestricted | <u>5,527,266</u> | <u>5,342,040</u> | <u>2,260,674</u> | <u>1,757,600</u> | <u>7,787,940</u> | <u>7,099,640</u> |
| Total net assets | <u>\$7,322,966</u> | <u>\$6,959,120</u> | <u>\$4,835,857</u> | <u>\$4,605,187</u> | <u>\$12,158,823</u> | <u>\$11,564,307</u> |

An additional portion of the Township's net assets (\$74,600) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$7,787,940 may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, St. Joseph Charter Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental Activities

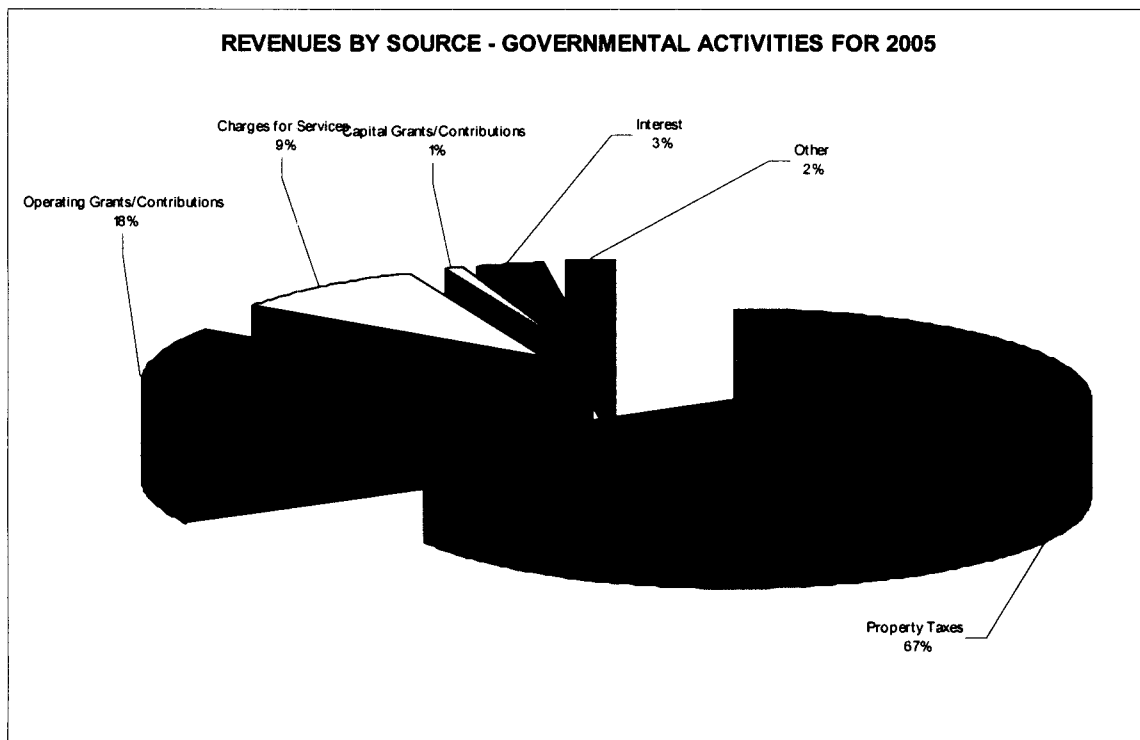
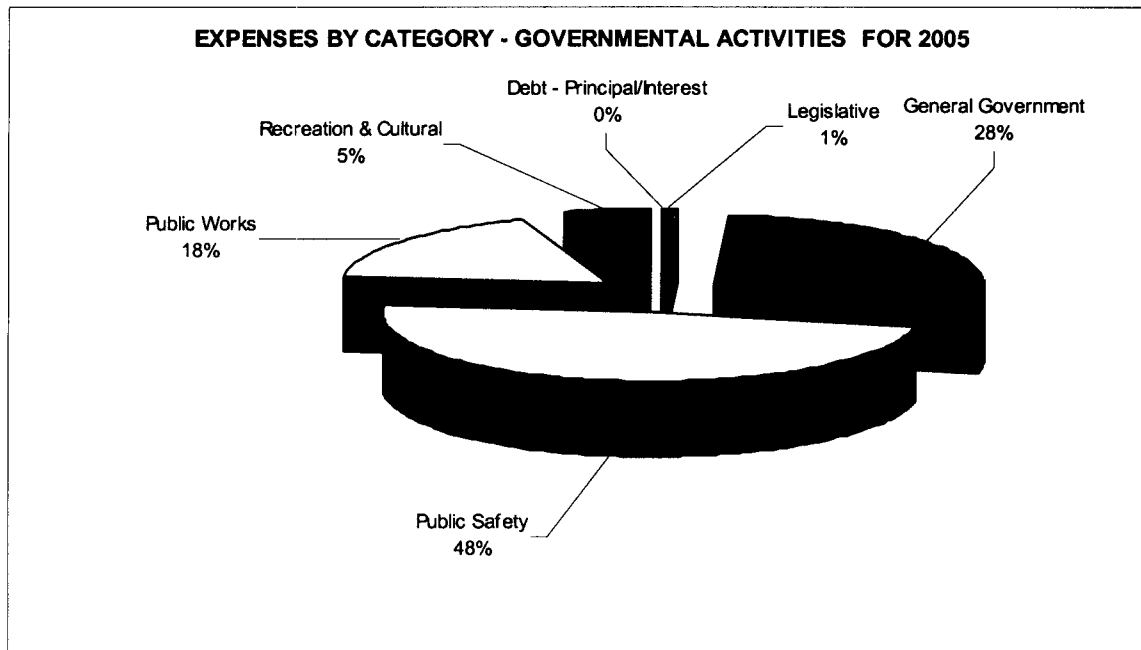
Governmental activities increased the Township's net assets by \$363,846, thereby accounting for 61.2% of the total growth in the net assets of St. Joseph Charter Township. Key elements of this increase are as follows:

St. Joseph Charter Township Change in Net Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------------------|----------------------------|--------------------|-----------------------------|--------------------|---------------------|---------------------|
| | FY 2005 | FY 2004 | FY 2005 | FY2004 | FY 2005 | FY2004 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 332,681 | \$ 143,582 | \$1,352,427 | \$1,279,113 | \$1,685,108 | \$1,422,695 |
| Operating grants/contributions | 661,695 | 646,838 | - | - | 661,695 | 646,838 |
| Capital Grants/contributions | 35,440 | - | - | - | 35,440 | - |
| General Revenues: | | | | | | |
| Taxes | \$2,486,933 | \$2,310,370 | - | - | \$2,486,933 | \$2,310,370 |
| Fines, fees and forfeits | - | 420,893 | - | 1,354 | - | 422,247 |
| Interest earnings | 113,716 | 77,407 | 50,334 | 28,303 | 164,050 | 105,710 |
| Gain (loss) on Sale | - | 4,287 | - | - | - | 4,287 |
| Other | 82,774 | 22,754 | - | 16,888 | 82,774 | 39,642 |
| Transfers | 8,331 | (109,356) | (8,331) | 109,356 | - | - |
| Total Revenues and transfers | <u>\$3,721,570</u> | <u>\$3,516,775</u> | <u>\$1,394,430</u> | <u>\$1,435,014</u> | <u>\$5,116,000</u> | <u>\$4,951,789</u> |
| Expenses: | | | | | | |
| Legislative | \$ 23,429 | \$ 21,284 | - | - | \$ 23,429 | \$ 21,284 |
| General government | 928,146 | 923,563 | - | - | 928,146 | 923,563 |
| Public Safety | 1,630,391 | 1,550,886 | - | - | 1,630,391 | 1,550,886 |
| Public works | 602,477 | 444,223 | - | - | 602,477 | 444,223 |
| Recreation and culture | 169,484 | 175,950 | - | - | 169,484 | 175,950 |
| Debt Service | 3,797 | 5,287 | - | - | 3,797 | 5,287 |
| Water | - | - | \$ 150,472 | 199,324 | 150,472 | 199,324 |
| Sewer | - | - | 1,013,288 | 1,117,890 | 1,013,288 | 1,117,890 |
| Total Expenses | <u>3,357,724</u> | <u>\$3,121,193</u> | <u>\$1,163,760</u> | <u>\$1,317,214</u> | <u>\$4,521,484</u> | <u>\$4,438,407</u> |
| Increase (Decrease) in Net Assets | \$ 363,846 | \$ 395,582 | \$ 230,670 | \$ 117,800 | \$ 594,516 | \$ 513,382 |
| Net Assets, January 1, 2005 | <u>6,959,120</u> | <u>6,563,538</u> | <u>4,605,187</u> | <u>4,487,387</u> | <u>11,564,307</u> | <u>11,050,925</u> |
| <u>Net Assets, December 31, 2005</u> | <u>\$7,322,966</u> | <u>\$6,959,120</u> | <u>\$4,835,857</u> | <u>\$4,605,187</u> | <u>\$12,158,823</u> | <u>\$11,564,307</u> |

- Property Taxes increased by \$176,563 (7.6%) during the year.
- Interest earnings increased due to higher interest rates.
- Revenue sharing in General Fund stabilized.
- Public Safety Fund expenditures were less than budgeted
- Overall expenditures in the Governmental activities increased by \$236,531
- Expenditures in the Water Fund decreased by approximately \$48,800
- Expenditures in the Sewer Fund decreased by approximately \$104,600.

St Joseph Charter Township Expenses and Program Revenue – Governmental Activities

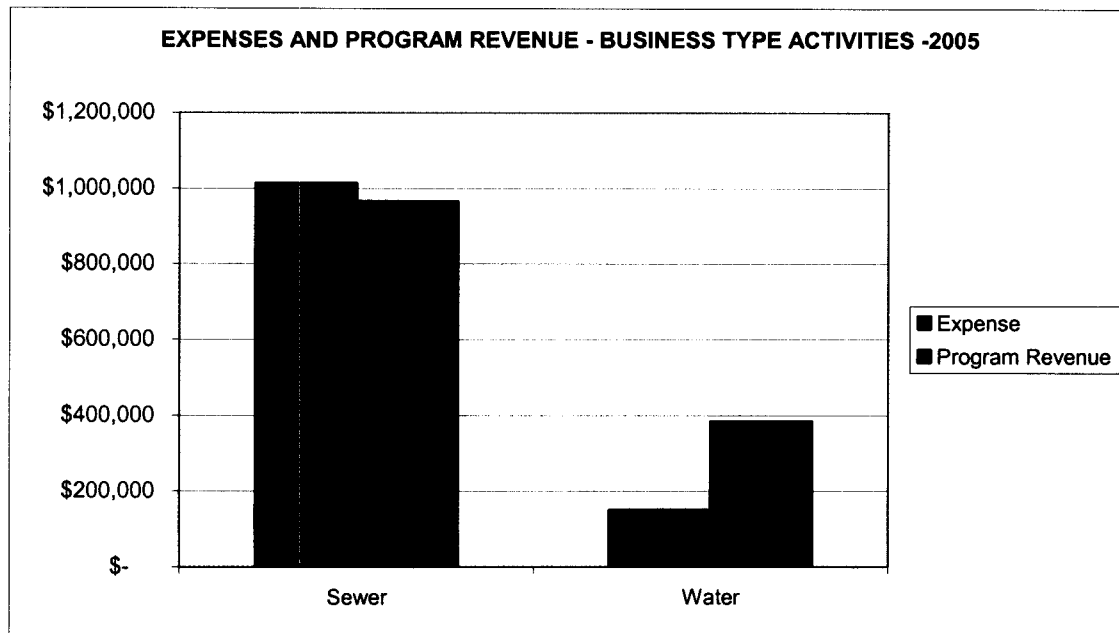


For the most part, increases in expenditures closely paralleled inflation and growth in the demand for services.

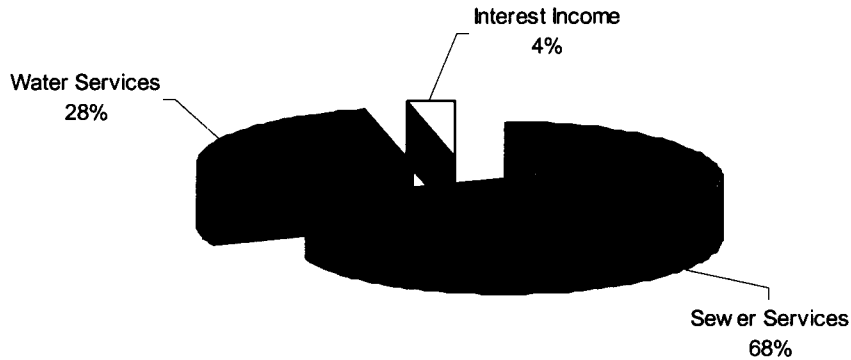
Business-Type Activities

Business-type activities increased the Township's net assets by \$230,670, accounting for 38.8% of the total growth in the Township's net assets. Key elements of this increase are as follows:

- Charges for services for business-type activities increased by 5.7%.
- Approximately \$32,000 was transferred out of the Sewer Fund to the Sewer Replacement and Improvement Fund for future sewer interceptor improvements.
- Due to the recognition of the administrative service charge paid to the City of Benton Harbor for processing the sewer billings, expenditures increased by approximately \$27,600 when compared to 2004 while revenues increased by approximately \$38,100.
- Charges for sewer services from the City of St. Joseph and City of Benton Harbor increased by approximately \$75,000 over original budget projections. As sewer usage is billed based on water consumption, and due to the extremely dry summer months, increased water usage resulted in increased sewer billings.
- Overall, revenues of the Sewer Fund exceeded budget projections by approximately \$97,000 due to the abnormally dry summer experienced in 2005.
- In the area of the Township serviced by the City of St. Joseph Water Department, a 2% rate increase was put into effect. Water revenue increased approximately \$52,000 over projected budget.
- In the area of the Township serviced by the City of Benton Harbor Water Department, a 7% rate increase was put into effect July 1, 2005.
- Expenditures in the Water Fund were below budget as the anticipated water tower project for the LMSW&STA did not begin in 2005 as originally projected.
- Overall, operating revenues of the Water Fund increased by approximately \$81,000 from the original budget figure, and expenditures were approximately \$245,000 less than budget



REVENUES BY SOURCE-BUSINESS-TYPE ACTIVITIES · 2005



Financial Analysis of the Township's Funds

As noted earlier, St. Joseph Charter Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The focus of St. Joseph Charter Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing St. Joseph Charter Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, St. Joseph Charter Township's governmental funds reported combined ending balances of \$3,240,355, an increase of \$140,111 in comparison with the prior year. Approximately 97.7% of this total amount (\$3,165,755) constitutes unreserved, undesignated fund balance, which is available for spending at the Township's discretion. The remainder of the fund balance is reserved or designated to indicate that it is not available for new spending as it has restrictions on its use.

The General Fund is the chief operating fund of St. Joseph Charter Township. . At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was \$1,281,716, while total fund balance reached \$1,356,316. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total expenditures. Unreserved, undesignated fund balance represents 101.4% of total General Fund expenditures, while total fund balance represents 107.3% of that same amount.

The fund balance of St. Joseph Charter Township's General Fund increased by only \$10,982 during the current fiscal year compared to \$74,641 in 2004. Key factors in this growth are as follows:

- Interest Earnings were higher \$8,007 higher than 2004
- Administrative Fees income increased by \$6,390 over 2004 because 1/3 of Berrien County's operating taxes were added to the summer tax bill
- Total revenues for 2005 were \$22,459 higher than in 2004 while expenses for all departments in 2005 were \$86,118 higher than 2004.

In 2005, the fund balance of St. Joseph Charter Township's Public Safety Fund increased by \$136,072. At the end of the current fiscal year, the unreserved fund balance of the Public Safety Fund was \$596,376. As a measure of the Public Safety Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 40.8% of total Public Safety expenditures. It is recommended by the Township's auditors that the fund balance in this fund be 3 to 6 months of expenditures. It would appear that we have met that guideline.

The key factors in this growth are as follows:

- Due to the increase in interest rates, interest earnings were approximately \$16,700 higher than 2004.
- Expenditures for Fire Station #1 were approximately \$44,000 less than budgeted.
- Expenditures in the Police Department were approximately \$64,400 less than budgeted
- Total revenues were approximately \$83,300 higher than 2004.
- Total expenditures were approximately \$99,300 higher than 2004.

In 2005, the Township's Garbage and Rubbish Collection fund balance increased by \$26,775. At the end of the current fiscal year, the unreserved fund balance of the Garbage and Rubbish Collection Fund was \$276,423. As a measure of the Garbage and Rubbish Collection funds liquidity, it may be useful to compare reserved fund balance to total fund expenditures. Unreserved fund balance represents 55.1% of total Garbage and Rubbish Collection expenditures.

The key factors in this growth are as follows:

- Due to the increase in interest rates, earnings were \$3,894 higher than 2004.
- Overall, total revenue increased by \$19,339 compared to 2004.
- The cost of purchasing recyclable bags for distribution to Township residents this Fall increased \$715 over 2004.
- Fees paid to the waste management company increased by \$57,567 due to a full year of the new rubbish collection contract.
- Total expenditures increased by \$60,097 when compared to 2004.

In the Water Replacement and Improvement Fund, the fund balance decreased by \$34,411. At the end of the current fiscal year, the unreserved fund balance of the Water Replacement and Improvement Fund was \$604,448. In 2006, an additional \$100,000 has been budgeted for the new water tower project of the LMSW&STA along with improvements to a water line on Washington Avenue. Funding for these projects will come from the fund equity account.

The key factor in this decline is as follows:

- The LMSW&STA budget for 2004-2005 contained funding for the new tower project which will supply water to the Township residents served by the City of St. Joseph Water Department. In 2005, \$76,386 was requested by the Authority to begin this project.
- Revenue for the water improvement fee declined by \$31,000 from 2004.
- Interest earnings increased by \$6,830 when compared to 2004.
- Comparing 2005 revenue to 2004, revenues declined by \$24,170.
- Comparing 2005 expenditures to 2004, expenses increased by \$76,384.

In the St. Joseph Charter Township Improvement Fund, the fund balance increased by \$2,190. At the end of the current fiscal year, the unreserved fund balance was \$14,652.

The key factor in this increase is as follows:

- A new contract for the lease of the building was completed with a 3% increase in monthly rental fees.

- The monthly rental fees will increase by 3% each year thereafter thru May 31, 2009.
- The loan payments for this building will be completed in November, 2008.

Proprietary Funds

The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

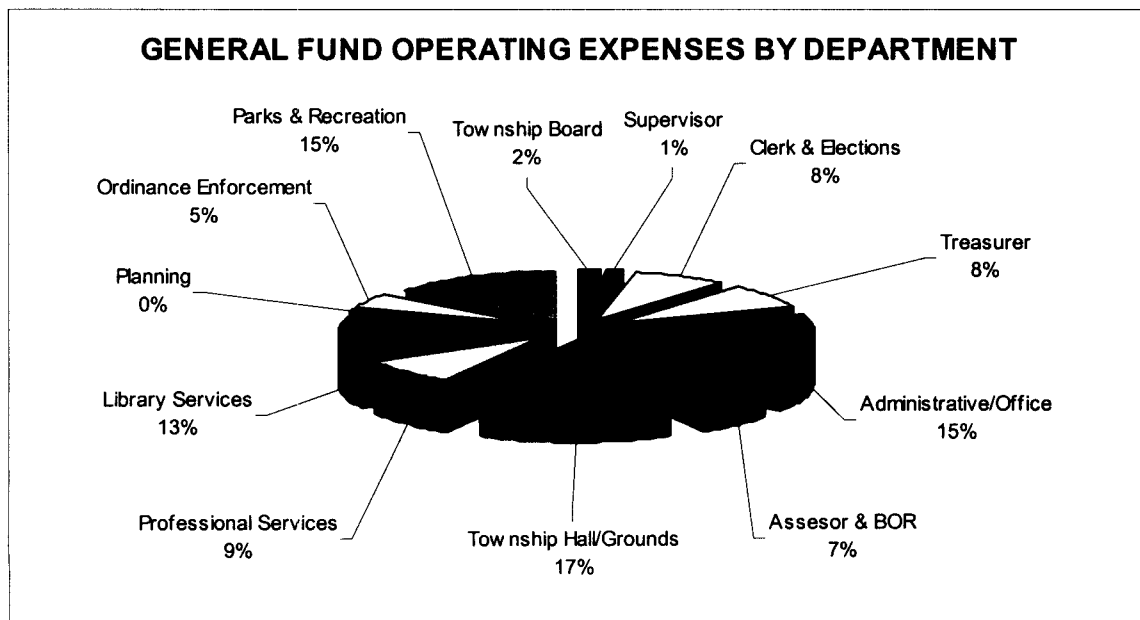
Unrestricted net assets of the Water and Sewer Funds, at the end of the current fiscal year amounted to \$2,260,674. The total growth/(decline) in net assets for both funds was \$270,690 and \$(40,020) respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of St. Joseph Charter Township's business-type activities.

General Fund Budgetary Highlights

During the year there was a \$177,940 increase in expenditure appropriations between the original and final amended budget. Following are the main components of the increase:

- The library services contract with the City of St Joseph was completed resulting in an additional \$66,300 being added to the expenditures in the Township Services department.
- Also in the Township Services department, an additional \$18,500 was budgeted for an increase in Engineering Fees that were related to the Nature Trail bridge project.
- Approximately \$35,000 was added to the Building and Grounds department for upgrades to the heating and cooling system, and a new security system.
- An additional \$7,150 was budgeted in the Building and Grounds department for maintenance and repairs to the building – specifically replacement doors as it related to the new security system.
- In the Parks Department, an additional \$31,000 was budgeted for improvements to two soccer fields.
- Various departments budgets were increased by a total \$4,690 due to operating equipment upgrades, and educational and training needs
- The budget for Elections was increased by \$15,300 due to the change in election laws regarding the school elections and because the Township had a special election for its millage request.

During the year, there was a \$31,000 increase in revenue budget due to the donation by the AYSO for the Maiden Lane Soccer Park improvements.



Capital Asset and Debt Administration

St. Joseph Charter Township's investment in capital assets for its governmental and business-type activities as of December 31, 2005, amounts to \$4,379,183 (net of accumulated depreciation). This investment in capital assets includes, land, buildings, building improvements, land improvements, books, vehicles, furniture and equipment, and utility system. The total decrease in the Township's investment in capital assets for the current fiscal year was 3.8% or \$173,817.

Major capital asset events during the current fiscal year included the following:

- Improvements to Maiden Lane Soccer Park soccer fields
- Installation of bypass pumping at two lift stations
- Portable backup generator for lift stations
- Access control system was installed at the Township Hall
- New mower was purchased for the Parks Department and another for the Township Hall
- A John Deer Gator was purchased for the Parks Department
- HVAC controls and equipment was installed at the Township Hall

St. Joseph Charter Township Capital Assets (net of depreciation)

| | Governmental Activities | | Business-Type Activities | | Total | |
|-------------------------|----------------------------|--------------------|-----------------------------|--------------------|--------------------|--------------------|
| | FY 2005 | FY 2004 | FY 2005 | FY 2004 | FY 2005 | FY 2004 |
| Land | \$ 309,913 | \$ 309,913 | \$ - | \$ - | \$309,913 | \$309,913 |
| Buildings | 726,119 | 749,943 | 4,993 | 6,387 | 731,112 | 756,330 |
| Building Improvements | 50,389 | | - | | 50,389 | |
| Land Improvements | 303,989 | 294,757 | - | - | 303,989 | 294,757 |
| Books | 153,847 | 144,965 | - | - | 153,847 | 144,965 |
| Vehicles | 152,045 | 127,899 | 4,785 | 11,254 | 156,830 | 139,153 |
| Furniture and Equipment | 107,698 | 77,936 | 54,918 | 45,681 | 162,616 | 123,617 |
| Utility Systems | - | - | <u>2,510,487</u> | <u>2,784,265</u> | <u>2,510,487</u> | <u>2,784,265</u> |
| Total Capital Assets | <u>\$1,804,000</u> | <u>\$1,705,413</u> | <u>\$2,575,183</u> | <u>\$2,847,587</u> | <u>\$4,379,183</u> | <u>\$4,553,000</u> |

Additional information on St. Joseph Charter Township's capital assets can be found in note 4 on pages 20 – 21 of this report.

Long-Term Debt

At the end of the current fiscal year, St. Joseph Charter Township had total long-term notes outstanding of \$82,901. The amount is secured by the assets purchased with the note proceeds. The Township had total compensated absences of \$62,309.

St. Joseph Charter Township's debt decreased by \$43,896 during the current fiscal year.

The loan for the 800 MHz radio equipment will be paid in full in 2006.

The loan for the building at Colfax and Napier Avenues currently housing the Senior Nutrition Center will be paid in November 2008.

Additional information of St. Joseph Charter Township's debt can be found on note 5 on pages 22 - 23 of this report.

Economic Factors and Next Year's Budget and Rates

- For 2006, state revenue sharing has been budgeted as flat – no increase is anticipated from the State of Michigan due to the uncertain status of the State's economy
- Property taxes are expected to increase at the rate of inflation of 3.2%.
- Medical insurance premiums increased by 10.8%, dental insurance premiums increased by 3.2%.
- Due to the uncertainty of revenue in the General Operating Fund, department expenses were budgeted with no increases for operating and were reduced in the Parks, Building and Grounds, and Township Services departments.
- Salary increases were 2% for full and part-time employees not affiliated with the police officers union

All of these factors were taken into consideration in preparing the Township's budget for 2006.

During the current fiscal year, the unreserved, undesignated fund balance in the General Fund increased to \$1,281,716. It is anticipated that the 2006 budget will need approximately \$112,000 of this fund equity to meet its approved appropriated expenditures.

In 2006, the Water Fund will see another 2% increase in the water rates for residents serviced by the City of St. Joseph Water Department. It is anticipated that a rate increase for residents serviced by the City of Benton Harbor Water Department will be implemented; however, at this time the percentage of increase is unknown.

In 2006, the Sewer Fund will see an 8% increase in the wastewater disposal charges from the Joint Treatment plant. This increased cost will be passed on the Township's residents.

It is anticipated that continued new housing development will continue in 2006 with construction beginning in the Washington Crossings subdivision in 2006 as well as commercial development in the Niles/Hollywood corridor and the Hilltop area.

Request for Information

This financial report is designed to provide a general overview of St. Joseph Charter Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provide in this report or request for additional financial information should be addressed to:

**Manager
St. Joseph Charter Township
3000 Washington Avenue
P O Box 147
St Joseph., MI 49085**

ST. JOSEPH CHARTER TOWNSHIP

TOWNSHIP BOARD

Ronald A. Griffin Supervisor
Janet M. Helsley Clerk
David Vonk Treasurer
Charles Garlanger Trustee
Gary Bluschke Trustee
Edward A. Sieber Trustee
Roger Seely Trustee
James Boothby Manager/Superintendent

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

January 31, 2006

INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
St. Joseph Charter Township
St. Joseph, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of St. Joseph Charter Township, as of and for the year ended December 31, 2005, which collectively comprise the Township's financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages I through XII, and 27 through 29 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise St. Joseph Charter Township's financial statements. The combining and individual nonmajor fund financial statements are presented for the purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

Gerbel & Company, P.C.

Right. On time.

ST. JOSEPH CHARTER TOWNSHIP
Statement of Net Assets
December 31, 2005

| | Primary Government | | |
|---|---------------------------|----------------------|----------------------|
| | Governmental | Business-type | |
| Assets | Activities | Activities | Total |
| Cash | \$ 3,322,921 | \$ 2,055,103 | \$ 5,378,024 |
| Receivables | 1,804,893 | 183,634 | 1,988,527 |
| Due from state | 116,069 | - | 116,069 |
| Due from other governments | - | 27,728 | 27,728 |
| Due from other funds | 430,592 | 47,150 | 477,742 |
| Prepaid expenses | 106,072 | 10,872 | 116,944 |
| Nondepreciable Capital Assets: | | | |
| Land | 309,913 | - | 309,913 |
| Capital assets (net of related depreciation): | | | |
| Buildings | 726,119 | 4,993 | 731,112 |
| Building improvements | 50,389 | - | 50,389 |
| Land improvements | 303,989 | - | 303,989 |
| Books | 153,847 | - | 153,847 |
| Vehicles | 152,045 | 4,785 | 156,830 |
| Furniture and equipment | 107,698 | 54,918 | 162,616 |
| Utility systems | - | 2,510,487 | 2,510,487 |
| Total Assets | \$ 7,584,547 | \$ 4,899,670 | \$ 12,484,217 |
| Liabilities | | | |
| Accounts payable | \$ 83,994 | \$ 57,554 | \$ 141,548 |
| Payroll liabilities | 32,746 | 2,276 | 35,022 |
| Deferred revenue | 2,412 | - | 2,412 |
| Due to other funds | 1,202 | - | 1,202 |
| Noncurrent liabilities: | | | |
| Due within one year | 69,604 | 3,983 | 73,587 |
| Due in more than one year | 71,623 | - | 71,623 |
| Total Liabilities | \$ 261,581 | \$ 63,813 | \$ 325,394 |
| Net Assets | | | |
| Invested in capital assets, net of related debt | \$ 1,721,100 | \$ 2,575,183 | \$ 4,296,283 |
| Restricted for Metro Act | 74,600 | - | 74,600 |
| Unrestricted | 5,527,266 | 2,260,674 | 7,787,940 |
| TOTAL NET ASSETS | \$ 7,322,966 | \$ 4,835,857 | \$ 12,158,823 |

The accompanying notes are an integral part of these financial statements.

ST. JOSEPH CHARTER TOWNSHIP
Statement of Activities
For the Year Ended December 31, 2005

| <u>Functions/Programs</u> | <u>Program Revenues</u> | | | |
|--------------------------------|-------------------------|-----------------------------|---|---|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Primary Government: | | | | |
| Government Activities: | | | | |
| Legislative | \$ 23,429 | \$ - | \$ - | \$ - |
| General government | 928,146 | 123,796 | 655,838 | - |
| Public safety | 1,630,391 | 175,960 | 5,857 | - |
| Public works | 602,477 | 30,675 | - | 35,440 |
| Recreation and cultural | 169,484 | 2,250 | - | - |
| Interest on long-term debt | 3,797 | - | - | - |
| | <u>3,797</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Government Activities | <u>\$ 3,357,724</u> | <u>\$ 332,681</u> | <u>\$ 661,695</u> | <u>\$ 35,440</u> |
| Business-type Activities: | | | | |
| Sewer fund | \$ 1,013,288 | \$ 965,271 | \$ - | \$ - |
| Water fund | 150,472 | 387,156 | - | - |
| | <u>150,472</u> | <u>387,156</u> | <u>-</u> | <u>-</u> |
| Total Business-type Activities | <u>\$ 1,163,760</u> | <u>\$ 1,352,427</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total Primary Government | <u>\$ 4,521,484</u> | <u>\$ 1,685,108</u> | <u>\$ 661,695</u> | <u>\$ 35,440</u> |

General revenues:
Property taxes
Interest
Other revenue
Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning of Year

NET ASSETS - END OF YEAR

The accompanying notes are an integral part of these financial statements.

**Net (Expense) Revenue and
Changes in Net Assets**
Primary Government

| <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|---|--|-----------------------|
| \$ (23,429) | \$ - | \$ (23,429) |
| (148,512) | - | (148,512) |
| (1,448,574) | - | (1,448,574) |
| (536,362) | - | (536,362) |
| (167,234) | - | (167,234) |
| <u>(3,797)</u> | <u>-</u> | <u>(3,797)</u> |
| <u>\$ (2,327,908)</u> | <u>\$ -</u> | <u>\$ (2,327,908)</u> |
| | | |
| \$ - | \$ (48,017) | \$ (48,017) |
| <u>-</u> | <u>236,684</u> | <u>236,684</u> |
| | | |
| \$ - | \$ 188,667 | \$ 188,667 |
| | | |
| <u>\$ (2,327,908)</u> | <u>\$ 188,667</u> | <u>\$ (2,139,241)</u> |
| | | |
| \$ 2,486,933 | \$ - | \$ 2,486,933 |
| 113,716 | 50,334 | 164,050 |
| 82,774 | - | 82,774 |
| <u>8,331</u> | <u>(8,331)</u> | <u>-</u> |
| | | |
| <u>\$ 2,691,754</u> | <u>\$ 42,003</u> | <u>\$ 2,733,757</u> |
| | | |
| \$ 363,846 | \$ 230,670 | \$ 594,516 |
| | | |
| <u>6,959,120</u> | <u>4,605,187</u> | <u>11,564,307</u> |
| | | |
| <u>\$ 7,322,966</u> | <u>\$ 4,835,857</u> | <u>\$ 12,158,823</u> |

**ST. JOSEPH CHARTER TOWNSHIP
GOVERNMENTAL FUNDS
Balance Sheet
December 31, 2005**

| | <u>General Fund</u> | <u>Public Safety Fund</u> | <u>Garbage and Rubbish Collection Fund</u> |
|--|----------------------------|-----------------------------------|--|
| Assets | | | |
| Current Assets: | | | |
| Cash | \$ 1,165,574 | \$ 786,648 | \$ 360,946 |
| Receivables | 261,475 | 1,148,866 | 393,314 |
| Due from state | 116,069 | - | - |
| Due from other funds | 93,729 | 279,086 | 95,143 |
| Prepaid expense | <u>55,555</u> | <u>50,127</u> | <u>-</u> |
| Total Current Assets | <u>\$ 1,692,402</u> | <u>\$ 2,264,727</u> | <u>\$ 849,403</u> |
| TOTAL ASSETS | <u>\$ 1,692,402</u> | <u>\$ 2,264,727</u> | <u>\$ 849,403</u> |
| Liabilities and Fund Balances | | | |
| Current Liabilities: | | | |
| Accounts payable | \$ 7,614 | \$ 11,346 | \$ 38,597 |
| Payroll liabilities | 9,340 | 21,890 | - |
| Due to other funds | 1,202 | 67,590 | - |
| Deferred revenue | <u>317,930</u> | <u>1,567,525</u> | <u>534,383</u> |
| Total Current Liabilities | <u>\$ 336,086</u> | <u>\$ 1,668,351</u> | <u>\$ 572,980</u> |
| Total Liabilities | <u>\$ 336,086</u> | <u>\$ 1,668,351</u> | <u>\$ 572,980</u> |
| Fund Balances: | | | |
| Reserved for: | | | |
| Restricted purposes | \$ 74,600 | \$ - | \$ - |
| Unreserved, reported in | | | |
| General Fund | 1,281,716 | - | - |
| Special Revenue | - | 596,376 | 276,423 |
| Capital Projects | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Fund Balances | <u>\$ 1,356,316</u> | <u>\$ 596,376</u> | <u>\$ 276,423</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 1,692,402</u> | <u>\$ 2,264,727</u> | <u>\$ 849,403</u> |

The accompanying notes are an integral part of these financial statements.

| Water Replacement and Improvement <u>Fund</u> | Other Governmental <u>Funds</u> | Total Governmental <u>Funds</u> |
|--|---------------------------------------|---------------------------------------|
| \$ 603,448 | \$ 406,305 | \$ 3,322,921 |
| 1,000 | 238 | 1,804,893 |
| - | - | 116,069 |
| - | 30,224 | 498,182 |
| - | 390 | 106,072 |
| <u>\$ 604,448</u> | <u>\$ 437,157</u> | <u>\$ 5,848,137</u> |
| <u>\$ 604,448</u> | <u>\$ 437,157</u> | <u>\$ 5,848,137</u> |
| \$ - | \$ 26,437 | \$ 83,994 |
| - | 1,516 | 32,746 |
| - | - | 68,792 |
| - | 2,412 | 2,422,250 |
| <u>\$ -</u> | <u>\$ 30,365</u> | <u>\$ 2,607,782</u> |
| <u>\$ -</u> | <u>\$ 30,365</u> | <u>\$ 2,607,782</u> |
| \$ - | \$ - | \$ 74,600 |
| - | - | 1,281,716 |
| - | 118,942 | 991,741 |
| <u>604,448</u> | <u>287,850</u> | <u>892,298</u> |
| <u>\$ 604,448</u> | <u>\$ 406,792</u> | <u>\$ 3,240,355</u> |
| <u>\$ 604,448</u> | <u>\$ 437,157</u> | <u>\$ 5,848,137</u> |

ST. JOSEPH CHARTER TOWNSHIP
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
For the Year Ended December 31, 2005

| | |
|-------------------------------------|--------------|
| Fund balances of governmental funds | \$ 3,240,355 |
|-------------------------------------|--------------|

Amounts reported for *governmental activities* in the statement of net assets are different because:

| | |
|--|-----------|
| Governmental funds report outlay as expenditures, but they are recorded as capital assets in the Government-Wide statements and depreciated over their useful lives. | 1,804,000 |
|--|-----------|

| | |
|--|-----------|
| Long-term liabilities are not due and payable in the current period nor are they reflected as reductions to debt in the funds. | (141,227) |
|--|-----------|

| | |
|--|------------------|
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | <u>2,419,838</u> |
|--|------------------|

| | |
|---------------------------------------|---------------------|
| Net assets of governmental activities | <u>\$ 7,322,966</u> |
|---------------------------------------|---------------------|

ST. JOSEPH CHARTER TOWNSHIP
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended December 31, 2005

| | <u>General Fund</u> | <u>Public Safety Fund</u> | <u>Garbage and Rubbish Collection Fund</u> |
|--|-------------------------|-----------------------------------|--|
| Revenues: | | | |
| Taxes | \$ 377,458 | \$ 1,510,584 | \$ 513,376 |
| Licenses and permits | 83,752 | 2,667 | - |
| Contributions from local units | - | 11,454 | - |
| State revenues | 691,278 | 5,857 | - |
| Fines and forfeits | - | 7,822 | - |
| Charges for services | 13,700 | 2,524 | 3,891 |
| Interest and rents | 48,533 | 32,102 | 10,794 |
| Other revenue | <u>60,203</u> | <u>25,796</u> | <u>-</u> |
| Total Revenues | <u>\$ 1,274,924</u> | <u>\$ 1,598,806</u> | <u>\$ 528,061</u> |
| Expenditures: | | | |
| Current: | | | |
| Legislative | \$ 23,430 | \$ - | \$ - |
| General government | 994,469 | - | - |
| Public safety | 62,173 | 1,436,256 | - |
| Public works | - | - | 501,286 |
| Recreation and cultural | 183,870 | - | - |
| Debt service: | | | |
| Principal retirement | - | 25,000 | - |
| Interest | <u>-</u> | <u>1,478</u> | <u>-</u> |
| Total Expenditures | <u>\$ 1,263,942</u> | <u>\$ 1,462,734</u> | <u>\$ 501,286</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>\$ 10,982</u> | <u>\$ 136,072</u> | <u>\$ 26,775</u> |
| Other Financing Sources (Uses) | | | |
| Operating transfers in | \$ - | \$ - | \$ - |
| Operating transfers out | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Net Change in Fund Balance | \$ 10,982 | \$ 136,072 | \$ 26,775 |
| Fund Balances - Beginning of the Year | <u>1,345,334</u> | <u>460,304</u> | <u>249,648</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 1,356,316</u> | <u>\$ 596,376</u> | <u>\$ 276,423</u> |

The accompanying notes are an integral part of these financial statements.

| Water Replacement and Improvement <u>Fund</u> | Other Governmental <u>Funds</u> | Total Governmental <u>Funds</u> |
|--|---------------------------------------|---------------------------------------|
| \$ - | \$ - | \$ 2,401,418 |
| - | 162,947 | 249,366 |
| - | - | 11,454 |
| - | - | 697,135 |
| - | - | 7,822 |
| 28,000 | - | 48,115 |
| 13,975 | 37,140 | 142,544 |
| - | 2,637 | 88,636 |
| <u>\$ 41,975</u> | <u>\$ 202,724</u> | <u>\$ 3,646,490</u> |
| \$ - | \$ - | \$ 23,430 |
| - | 5,489 | 999,958 |
| - | 165,693 | 1,664,122 |
| 76,386 | 17,965 | 595,637 |
| - | - | 183,870 |
| - | 18,896 | 43,896 |
| - | 2,319 | 3,797 |
| <u>\$ 76,386</u> | <u>\$ 210,362</u> | <u>\$ 3,514,710</u> |
| <u>\$ (34,411)</u> | <u>\$ (7,638)</u> | <u>\$ 131,780</u> |
| \$ - | \$ 32,143 | \$ 32,143 |
| - | (23,812) | (23,812) |
| <u>\$ -</u> | <u>\$ 8,331</u> | <u>\$ 8,331</u> |
| \$ (34,411) | \$ 693 | \$ 140,111 |
| <u>638,859</u> | <u>406,099</u> | <u>3,100,244</u> |
| <u>\$ 604,448</u> | <u>\$ 406,792</u> | <u>\$ 3,240,355</u> |

ST. JOSEPH CHARTER TOWNSHIP
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2005

Net change in fund balances - total governmental funds \$ 140,111

Amounts reported for *governmental activities* in the statement of activities are different because:

Government funds report capital outlay as expenditures, but they are recorded as capital assets in the Government-Wide statements and depreciated over their useful lives. This is the amount by which depreciation exceeded capital outlays in the current period. 113,088

Long-term liabilities are not due and payable in the current period nor are they reflected as reductions to debt in the funds. 43,896

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reportable as expenditures in governmental funds. -

The net effect of trade-ins and sales involving capital assets is to decrease net assets. (14,501)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 81,252

Changes in net assets of governmental activities \$ 363,846

ST. JOSEPH CHARTER TOWNSHIP
PROPRIETARY FUNDS
Statement of Net Assets
For the Year Ended December 31, 2005

| | <u>Sewer Fund</u> | <u>Water Fund</u> | <u>Total Proprietary Funds</u> |
|---|-----------------------|-----------------------|--|
| Assets | | | |
| Current Assets: | | | |
| Cash | \$ 606,615 | \$ 1,448,488 | \$ 2,055,103 |
| Receivables | 145,428 | 38,206 | 183,634 |
| Due from other funds | 38,118 | 9,032 | 47,150 |
| Due from other governments | 18,247 | 9,481 | 27,728 |
| Prepaid expenses | <u>10,872</u> | <u>-</u> | <u>10,872</u> |
| Total Current Assets | <u>\$ 819,280</u> | <u>\$ 1,505,207</u> | <u>\$ 2,324,487</u> |
| Noncurrent Assets: | | | |
| Buildings | \$ 34,825 | \$ - | \$ 34,825 |
| Vehicles | 107,767 | - | 107,767 |
| Furniture and equipment | 170,611 | - | 170,611 |
| Utility systems | 7,259,560 | 4,447,039 | 11,706,599 |
| Accumulated depreciation | <u>(5,911,900)</u> | <u>(3,532,719)</u> | <u>(9,444,619)</u> |
| Total Noncurrent Assets | <u>\$ 1,660,863</u> | <u>\$ 914,320</u> | <u>\$ 2,575,183</u> |
| Total Assets | <u>\$ 2,480,143</u> | <u>\$ 2,419,527</u> | <u>\$ 4,899,670</u> |
| Liabilities and Fund Balances | | | |
| Current Liabilities: | | | |
| Accounts payable | \$ 57,311 | \$ 243 | \$ 57,554 |
| Payroll liabilities | 2,276 | - | 2,276 |
| Compensated absences | <u>3,983</u> | <u>-</u> | <u>3,983</u> |
| Total Current Liabilities | <u>\$ 63,570</u> | <u>\$ 243</u> | <u>\$ 63,813</u> |
| Total Liabilities | <u>\$ 63,570</u> | <u>\$ 243</u> | <u>\$ 63,813</u> |
| Net Assets | | | |
| Invested in capital assets, net of related debt | \$ 1,660,863 | \$ 914,320 | \$ 2,575,183 |
| Unrestricted | <u>755,710</u> | <u>1,504,964</u> | <u>2,260,674</u> |
| TOTAL NET ASSETS | <u>\$ 2,416,573</u> | <u>\$ 2,419,284</u> | <u>\$ 4,835,857</u> |

The accompanying notes are an integral part of these financial statements.

**ST. JOSEPH CHARTER TOWNSHIP
PROPRIETARY FUNDS
Statement of Revenues, Expenses, and
Changes in Net Assets
For the Year Ended December 31, 2005**

| | <u>Sewer Fund</u> | <u>Water Fund</u> | <u>Total Enterprise Funds</u> |
|---|-----------------------|-----------------------|---------------------------------------|
| Operating Revenues: | | | |
| Charges for services | \$ 925,261 | \$ 384,541 | \$ 1,309,802 |
| Assessments | 5,859 | 2,480 | 8,339 |
| Reimbursements | <u>34,151</u> | <u>135</u> | <u>34,286</u> |
| Total Operating Revenues | <u>\$ 965,271</u> | <u>\$ 387,156</u> | <u>\$ 1,352,427</u> |
| Operating Expenses: | | | |
| Water | \$ - | \$ 39,409 | \$ 39,409 |
| Sewer | 808,935 | - | 808,935 |
| Depreciation | <u>204,353</u> | <u>111,063</u> | <u>315,416</u> |
| Total Operating Expenses | <u>\$ 1,013,288</u> | <u>\$ 150,472</u> | <u>\$ 1,163,760</u> |
| Operating Income (Loss) | \$ (48,017) | \$ 236,684 | \$ 188,667 |
| Nonoperating Revenue (Expenses): | | | |
| Interest income | <u>16,328</u> | <u>34,006</u> | <u>50,334</u> |
| Income (Loss) Before Transfers | \$ (31,689) | \$ 270,690 | \$ 239,001 |
| Operating transfers in | 23,812 | - | 23,812 |
| Operating transfers out | <u>(32,143)</u> | <u>-</u> | <u>(32,143)</u> |
| Change in Net Assets | \$ (40,020) | \$ 270,690 | \$ 230,670 |
| Total Net Assets - Beginning of Year | <u>2,456,593</u> | <u>2,148,594</u> | <u>4,605,187</u> |
| TOTAL NET ASSETS - END OF YEAR | <u>\$ 2,416,573</u> | <u>\$ 2,419,284</u> | <u>\$ 4,835,857</u> |

The accompanying notes are an integral part of these financial statements.

**ST. JOSEPH CHARTER TOWNSHIP
PROPRIETARY FUNDS
Combining Statement of Cash Flows
For the Year Ended December 31, 2005**

| | Business - Type Activities Enterprise Funds | | |
|--|--|------------------------------|----------------------------|
| | <u>Sewer Fund</u> | <u>Water Fund</u> | <u>Total</u> |
| Cash Flows From Operating Activities: | | | |
| Cash receipts from customers | \$ 1,096,117 | \$ 413,234 | \$ 1,509,351 |
| Payments to employees | (118,338) | - | (118,338) |
| Payments of benefits on behalf of employees | (47,333) | - | (47,333) |
| Payments to suppliers | (722,943) | (10,562) | (733,505) |
| Payments to LMSW & STA | (36,999) | (28,778) | (65,777) |
| Net cash provided (used) by operating activities | <u>\$ 170,504</u> | <u>\$ 373,894</u> | <u>\$ 544,398</u> |
| Cash Flows From Noncapital Financing Activities: | | | |
| Transfer from other funds | \$ 23,812 | \$ - | \$ 23,812 |
| Transfer to other funds | (32,143) | - | (32,143) |
| Net cash provided (used) by noncapital financing activities | <u>\$ (8,331)</u> | <u>\$ -</u> | <u>\$ (8,331)</u> |
| Cash Flows From Capital and Related Financing Activities: | | | |
| Interest received on special assessments | \$ 16,328 | \$ 34,006 | \$ 50,334 |
| Purchase of fixed assets | (43,012) | - | (43,012) |
| Net cash provided (used) by capital and related financing activities | <u>\$ (26,684)</u> | <u>\$ 34,006</u> | <u>\$ 7,322</u> |
| Net increase (decrease) in cash and cash equivalents | \$ 135,489 | \$ 407,900 | \$ 543,389 |
| Balances - Beginning of Year | <u>471,126</u> | <u>1,040,588</u> | <u>1,511,714</u> |
| BALANCES - END OF YEAR | <u>\$ 606,615</u> | <u>\$ 1,448,488</u> | <u>\$ 2,055,103</u> |

The accompanying notes are an integral part of these financial statements.

**ST. JOSEPH CHARTER TOWNSHIP
PROPRIETARY FUNDS
Combining Statement of Cash Flows
For the Year Ended December 31, 2005**

| | Business - Type Activities Enterprise Funds | | |
|---|--|------------------------------|---------------------|
| | <u>Sewer Fund</u> | <u>Water Fund</u> | <u>Total</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | |
| Operating income (loss) | \$ (48,017) | \$ 236,684 | \$ 188,667 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation expenses | \$ 204,353 | \$ 111,063 | \$ 315,416 |
| (Increase) decrease in: | | | |
| Receivables | (4,979) | 3,912 | (1,067) |
| Due from other funds | 16,077 | 2,609 | 18,686 |
| Due from other governments | 6,950 | 19,383 | 26,333 |
| Prepaid expenses | 835 | - | 835 |
| Increase (decrease) in: | | | |
| Accounts payable | (4,810) | 243 | (4,567) |
| Payroll liabilities | 95 | - | 95 |
| Total adjustments | \$ 218,521 | \$ 137,210 | \$ 355,731 |
| Net cash provided (used) by operating activities | \$ 170,504 | \$ 373,894 | \$ 544,398 |

**ST. JOSEPH CHARTER TOWNSHIP
FIDUCIARY FUNDS
Statement of Net Assets
December 31, 2005**

| | <u>Agency Funds</u> |
|--|--------------------------------|
| Assets | |
| Cash and cash equivalents | \$ 848,324 |
| Due from other governments | 1,161 |
| Due from other funds | <u>1,202</u> |
| Total Assets | <u>\$ 850,687</u> |
| Liabilities | |
| Undistributed taxes, interest, licenses and revenues | \$ 338,973 |
| Due to other governments | 33,972 |
| Due to other funds | <u>477,742</u> |
| Total Liabilities | <u>\$ 850,687</u> |

The accompanying notes are an integral part of these financial statements.

ST. JOSEPH CHARTER TOWNSHIP
Notes to Financial Statements
December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by St. Joseph Charter Township, Michigan, conform to accounting principles generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant government accounting policies are described below:

A. Reporting Entity

In evaluating how to define the Township's reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP). The - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability of fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Township is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Township's reporting entity.

St. Joseph Charter Township Sanitation Authority and Lake Michigan Shoreline Water & Sewage Treatment Authority. These potential component units are disclosed as joint ventures because the Township; (1) selects governing authority, (2) approves the budget, (3) is responsible for fund deficits, and (4) provides subsidies. See Note 5 for further information on the joint ventures.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statements of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government of the Township. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

ST. JOSEPH CHARTER TOWNSHIP
Notes to Financial Statements
December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting, and Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary funds and fiduciary fund financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

St. Joseph Charter Township reports the following major governmental funds:

The **General Fund** is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Public Safety Fund** is used to account for the police department, as well as the two fire stations.

The **Garbage and Rubbish Collection Fund** is used to account for the collection of garbage and rubbish within the Township.

The **Water Replacement and Improvement Fund** is used to account for the capital improvements and future replacement of the water lines.

St. Joseph Charter Township reports the following major proprietary funds:

The **Water Operating Fund** accounts for the activities related to the Township's share of the Lake Michigan Shoreline Water and Sewage Treatment Authority's water production, purification, distribution, and billing.

The **Sewer Operating Fund** accounts for the activities related to the Township's share of the Lake Michigan Shoreline Water and Sewage Treatment Authority's sanitary collections system and wastewater treatment.

ST. JOSEPH CHARTER TOWNSHIP
Notes to Financial Statements
December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting, and Financial Statements - Continued

Additionally, St. Joseph Charter Township reports the following fund type:

The **Agency Funds** are used to account for assets as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the Water Fund, Sewer Fund, and other functions and segments. Elimination of these charges would distort the direct costs and program revenues for the functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. All taxes are reported as general taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expense for enterprise funds and internal service funds includes the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first. Unrestricted resources are used as they are needed.

D. Budgetary Data

The Manager/Superintendent submits to the Township Board a proposed operating budget for the calendar year. The operating budget includes proposed expenditures and the means of financing them for all governmental and proprietary fund types. Public hearings are then conducted at the Township Hall to obtain taxpayer comments. Prior to December 15, the budget is legally enacted on a summary budget basis through passage of a resolution.

E. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by St. Joseph Charter Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

ST. JOSEPH CHARTER TOWNSHIP
Notes to Financial Statements
December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

E. Capital Assets - Continued

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in government-wide statements and all proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statements of net assets. The straight-line depreciation method is applied over the estimated useful life of fixed assets.

The straight-line depreciation method is used for all depreciable capital assets. The estimated useful lives for capital assets are displayed in the table below:

| <u>Asset Class</u> | <u>Depreciable Life</u> |
|--------------------|-------------------------|
| Land | N/A |
| Buildings | 25-50 years |
| Equipment | 5-15 years |
| Vehicles | 3-12 years |
| Utility Systems | 10-40 years |
| Land Improvements | 15-25 years |
| Library Books | 10 years |

F. Long-Term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using straight-line amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt received, are reported as debt service.

G. Property Taxes

Township property taxes are levied on December 1 and are payable without penalty through February 14. The Township bills and collects its own property taxes as well as taxes for the County and several school districts within its jurisdiction. Collections and remittances of all taxes are accounted for in the Current Tax Agency Fund. Township property tax revenues are recognized in the fund financial statements as revenues in the calendar year following the levy date.

ST. JOSEPH CHARTER TOWNSHIP
Notes to Financial Statements
December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

H. Sanitation and Water Billings

The Township has contracts with the City of Benton Harbor and the City of St. Joseph for Sanitation Supply System and Water Supply System billings. The Cities collect the billings and remit their portion to the Township according to the contracts.

The Township has an agreement with the City of Benton Harbor to deposit all of their collections in the escrow account. The authority to dispense these collections to the City and Township rests solely with St. Joseph Charter Township. Currently, the Township is making distributions from the escrow account based on actual collection reports provided by the City of Benton Harbor.

I. Investments

Investments are stated at cost or amortized cost, which approximates market.

All highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are defined as cash equivalents.

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

NOTE 2 - CASH AND INVESTMENTS

Cash and Short-Term Investments - The Township is authorized to invest in certificates of deposit, savings accounts, and deposit accounts. The Township is also authorized to invest in bonds, securities, and other obligations of the United States, or an agency whose principal and interest is fully guaranteed by the United States. The Township is authorized to invest in commercial paper within the two highest classifications and maturities not more than 270 days after the date of purchase. Act 217, PA 1982 states that the Township's deposits, which include cash and certificates of deposit, are carried at cost and must be invested in accounts of Federally insured banks, insured credit unions, savings and loan associations and bonds and other direct obligations of the associations and bonds and other direct obligations of the United States. Michigan law prohibits security in the form of collateral, surety bond, or other forms for the deposit of public money. An Attorney General's opinion states that public funds may not be deposited in financial institutions that do not have a branch location in Michigan. The Township's deposits are in accordance with statutory authority at December 31, 2005.

Long-Term Investments - The Township's policy does not address investments other than short-term highly liquid assets.

Interest Rate Risk - It is the objective of the Township to maintain safety of principal of its funds, maintain a diversified portfolio, and maintain adequate liquidity and achieve a market rate of return on relatively safe investment instruments. The investment portfolio shall be designed to attain a market average rate of return.

As of December 31, 2005, the Township had two certificates of deposit with balances of \$513,357 and \$770,570 with maturities less than three months.

ST. JOSEPH CHARTER TOWNSHIP
Notes to Financial Statements
December 31, 2005

NOTE 2 - CASH AND INVESTMENTS - Continued

Credit Risk - State statute allows for the deposit of funds into financial institutions provided those institutions are a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in the State of Michigan under the laws of Michigan or the United States. As of December 31, 2005, the Township's funds were deposited in four institutions meeting these requirements. At year end the carrying amount of the Township's deposits was \$6,226,348 and the respective bank balances totaled \$6,133,643. Of the total bank balance, the Federal Depository Insurance Corporation (FDIC) covered \$392,873.

Concentration of Credit Risk - The investments will be diversified avoiding overconcentration from a specific issuer. Investments shall have varying maturities to meet all operating requirements that may be reasonably anticipated. Selection shall avoid high credit risks and shall include use of readily available funds, such as local government investment pools or mutual funds to maintain sufficient liquidity.

Custodial Credit Risk - The Township is authorized to invest in prequalifying financial institutions, brokers, dealers, intermediaries, and advisors with whom the Township will do business. The portfolio will be diversified so that the impact on the investment portfolio resulting from losses on individual securities will be minimized.

NOTE 3 - JOINT VENTURES

St. Joseph Charter Township Sanitation Authority

On March 18, 1968, the Township of St. Joseph and Village of Shoreham entered into a joint venture to form a joint sanitation authority. The purpose of the Authority is to provide a rubbish collection and disposal service to the municipalities' residents.

The governing board consists of three members. St. Joseph Charter Township selects two members and the Village of Shoreham selects one member.

St. Joseph Charter Township levies taxes to finance the rubbish collection and disposal services. The Authority contracts with an outside sanitary refuse business to provide the service and receives payment from the Township for the amount of the contracted services. Beginning in March of 1995, invoices were turned over to the Township for payment.

Lake Michigan Shoreline Water & Sewage Treatment Authority

On July 18, 1964, the Townships of St. Joseph and Lincoln, and Villages of Shoreham and Stevensville formed a joint venture to acquire, improve, extend and operate a water supply and sewage disposal system. In January 2000, Royalton Township also joined the Authority.

The governing body consists of eight members. Each township selects two members and each village selects one member. From these eight members a Chairman, Vice-Chairman, Secretary and Treasurer are selected.

An annual budget is submitted to and approved by the Authority. Once this has been completed, the budget is reviewed by each respective municipality for approval.

ST. JOSEPH CHARTER TOWNSHIP
Notes to Financial Statements
December 31, 2005

NOTE 3 - JOINT VENTURES - Continued

Lake Michigan Shoreline Water & Sewage Treatment Authority - Continued

The member contribution percentages for the year ended December 31, 2005, are as follows: St. Joseph Charter Township - 33.25%, Lincoln Township - 60.50%, and Royalton Township - 6.25%.

The following is audited financial information from the Lake Michigan Shoreline Water & Sewage Treatment Authority for the year ended June 30, 2005. A copy of the audited financial report is available for review at the Township office.

| | |
|-----------------------|------------|
| Assets | \$ 114,142 |
| Liabilities | 22,036 |
| Fund Equity | 92,106 |
| Revenues | 143,707 |
| Expenditures | 150,838 |
| Change in Fund Equity | (7,131) |

NOTE 4 - CAPITAL ASSETS

Capital assets activities for the year ended December 31, 2005 were as follows:

| | <u>Balance</u> <u>January 1, 2005</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>December 31, 2005</u> |
|--------------------------------------|--|------------------|------------------|--|
| Governmental Activities | | | | |
| Land | \$ 309,913 | \$ - | \$ - | \$ 309,913 |
| Buildings | \$ 1,250,406 | \$ - | \$ - | \$ 1,250,406 |
| Building improvements | 496,440 | \$ 51,063 | - | \$ 51,063 |
| Land improvements | 616,748 | 30,399 | - | 526,839 |
| Books | 824,676 | 40,915 | - | 657,663 |
| Vehicles | 190,249 | 71,024 | (38,808) | 856,892 |
| Furniture and equipment | 190,249 | 50,806 | - | 241,055 |
| Subtotal | \$ 3,378,519 | \$ 244,207 | \$ (38,808) | \$ 3,583,918 |
| Less: Accumulated Depreciation | (1,983,019) | (131,119) | 24,307 | (2,089,831) |
| Total Capital Assets Other Than Land | \$ 1,395,500 | \$ 113,088 | \$ (14,501) | \$ 1,494,087 |

ST. JOSEPH CHARTER TOWNSHIP
Notes to Financial Statements
December 31, 2005

NOTE 4 - CAPITAL ASSETS - Continued

| | Balance January 1, <u>2005</u> | <u>Additions</u> | <u>Deletions</u> | Balance December 31, <u>2005</u> |
|--------------------------------|--------------------------------------|---------------------|------------------|--|
| Business Activities | | | | |
| Buildings | \$ 34,825 | \$ - | \$ - | \$ 34,825 |
| Furniture and equipment | 151,411 | 19,200 | - | 170,611 |
| Vehicles | 107,767 | - | - | 107,767 |
| Utility systems | <u>11,682,787</u> | <u>23,812</u> | <u>-</u> | <u>11,706,599</u> |
| Subtotal | \$ 11,976,790 | \$ 43,012 | \$ - | \$ 12,019,802 |
| Less: Accumulated Depreciation | <u>(9,129,203)</u> | <u>(315,416)</u> | <u>-</u> | <u>(9,444,619)</u> |
| Total Capital Assets | <u>\$ 2,847,587</u> | <u>\$ (272,404)</u> | <u>\$ -</u> | <u>\$ 2,575,183</u> |

Depreciation expense was charged in the following functions in the statement of activities:

Governmental functions:

| | |
|-------------------------|-------------------|
| General government | \$ 58,177 |
| Public safety | 41,103 |
| Public works | 3,031 |
| Recreation and cultural | <u>28,808</u> |
| Total | <u>\$ 131,119</u> |

Business-type functions:

| | |
|-------|-------------------|
| Water | \$ 111,063 |
| Sewer | <u>204,353</u> |
| Total | <u>\$ 315,416</u> |

ST. JOSEPH CHARTER TOWNSHIP
Notes to Financial Statements
December 31, 2005

NOTE 5 - CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions of the primary government for the year ended December 31, 2005:

| | <u>Installment Purchase Agreement</u> | <u>Capital Lease</u> | <u>Compensated Absences</u> |
|-------------------------|---|--------------------------|---------------------------------|
| As of January 1, 2005 | \$ 76,797 | \$ 50,000 | \$ 62,309 |
| Additions | - | - | - |
| (Reductions) | (18,896) | (25,000) | - |
| As of December 31, 2005 | <u>\$ 57,901</u> | <u>\$ 25,000</u> | <u>\$ 62,309</u> |

Long-term debt at December 31, 2005 is comprised of the following individual issues:

| | <u>Balance January 1, 2005</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance December 31, 2005</u> | <u>Due Within One Year</u> |
|--|--|------------------|--------------------|--|--------------------------------|
| Governmental Activities - Primary Activities | | | | | |
| \$112,717 2002 installment purchase agreement to Fifth Third Bank due in monthly installments of \$1,768 through November 27, 2008; interest at 3.40% - St. Joseph Charter Township Improvement Fund | \$ 76,797 | \$ - | \$ (18,896) | \$ 57,901 | \$ 19,549 |
| \$100,000 capital lease to Fifth Third Bank due in semi-annual installments of \$12,500 through August 15, 2006; interest at 3.35% - Public Safety Fund | 50,000 | - | (25,000) | 25,000 | 25,000 |
| Compensated Absences - General Fund, Public Safety, Building Department | <u>58,327</u> | <u>-</u> | <u>-</u> | <u>58,327</u> | <u>29,665</u> |
| Total Primary Government | <u>\$ 185,124</u> | <u>\$ -</u> | <u>\$ (43,896)</u> | <u>\$ 141,228</u> | <u>\$ 74,214</u> |
| Business Activities | | | | | |
| Compensated Absences - Water Fund, Sewer Fund | <u>\$ 3,982</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,982</u> | <u>\$ 3,982</u> |
| Total Business Activities | <u>\$ 3,982</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,982</u> | <u>\$ 3,982</u> |

ST. JOSEPH CHARTER TOWNSHIP
Notes to Financial Statements
December 31, 2005

NOTE 5 - CHANGES IN LONG-TERM DEBT - Continued

Annual debt service requirements to maturity for the above obligations, excluding compensated absences, are as follows:

| <u>Year Ending</u> <u>December 31,</u> | <u>Governmental Activities</u> | |
|---|--------------------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2006 | \$ 44,549 | \$ 2,305 |
| 2007 | 20,225 | 991 |
| 2008 | 18,127 | 295 |
| Total | <u>\$ 82,901</u> | <u>\$ 3,591</u> |

The compensated absences liability attributable to governmental activities will be liquidated primarily by the General Fund and Public Safety Fund.

NOTE 6 - PENSION PLAN

The Township contributes to the St. Joseph Charter Township defined contribution pension plan, which is administered by John Hancock Life Insurance Company. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined. The benefits a participant will receive depend solely on the amount contributed to the participant's accounts, the return on those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. All full-time employees of the Township are eligible to participate in the defined contribution plan. Contributions made by the employee and the Township vest immediately. An employee who leaves the employment of the Township is entitled to his or her contributions and the Township's contributions if vesting requirements are satisfied. The Township is required to contribute an amount equal to 14% of the employee's base pay. Employees of the Township are not required to contribute to the defined contribution pension plan. However, they are allowed to make contributions of up to 10% of their base pay.

During the year, the Township's required contribution amounted to \$147,176 which was 14% of its current year covered payroll of \$1,051,255. The contributions actually made during the year amounted to \$150,426. There were three employees who contributed \$3,250 for 2005.

No pension provision changes occurred during the year that affected the required contributions by the Township or its employees.

The plan held no securities of the Township or other related parties during the year or as of December 31, 2005.

ST. JOSEPH CHARTER TOWNSHIP
Notes to Financial Statements
December 31, 2005

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2005, is as follows:

Due to/from other funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|---------------------------------------|----------------------|--------------------------|
| General | Public Safety | \$ 36,954 |
| | Trust and Agency | 56 |
| | Current Tax | 56,719 |
| Public Safety | Current Tax | 279,086 |
| Garbage and Rubbish Collection | Current Tax | 95,143 |
| Fire Improvement | Public Safety | 30,224 |
| Sewer Operating | Public Safety | 412 |
| | Benton Harbor Escrow | 29,426 |
| | Current Tax | 8,280 |
| Water Operating | Benton Harbor Escrow | 7,201 |
| | Current Tax | <u>1,831</u> |
| Total | | <u>\$ 545,332</u> |

During the year, the following transfers were made between funds:

| | |
|--|-------------------------|
| From Sewer Operating Fund | |
| To Sewer Replacement Fund - For replacement cost | \$ 32,143 |
| From Sewer Replacement Fund | |
| To Sewer Operating Fund | <u>23,812</u> |
| Total Transfers Between Funds | <u>\$ 55,955</u> |

NOTE 8 - DEFERRED COMPENSATION PLAN

The Township offers its employees a deferred compensation plan created in accordance with the provisions of the Internal Revenue Code Section 457. As a result of federal legislation with regard to Internal Revenue Code Section 457, the Township no longer has the rights to the assets of the deferred compensation plan. The assets of the plan have been transferred into individual trust accounts of the employees and are not subject to the claims of the general creditors of the Township. Therefore, the Township is not required to account for the deferred compensation plan.

ST. JOSEPH CHARTER TOWNSHIP
Notes to Financial Statements
December 31, 2005

NOTE 9 - DEPOSIT - BERRIEN COUNTY ROAD COMMISSION

On an annual basis, St. Joseph Charter Township places on deposit with the Berrien County Road Commission money for local road construction work. The County matches certain funds 100%.

NOTE 10 - RISK MANAGEMENT

The Township carries insurance for risks of loss, including torts; theft of, damage to, and destruction of assets; error and omissions; workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded insurance coverage in the past fiscal year.

NOTE 11 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Certain claims, suits and complaints arising in the ordinary course of business have been filed or are pending against the Township. In the opinion of management and legal counsel, all such matters are covered by insurance or if not so covered, are without merit and, in any event, their ultimate resolution will not have a material effect on the Township's financial position or operations.

NOTE 12 - EXPENDITURES OVER BUDGET

P.A. 621 of 1978 Section 18, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved General Fund budget of the Township was adopted at the department level. During the year ended December 31, 2005, the Township was under budget in all major funds.

**ST. JOSEPH CHARTER TOWNSHIP
NONMAJOR GOVERNMENTAL FUNDS
Description of Funds**

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Police Training Fund - This fund is used to account for revenues collected and monies expended for the purpose of police officer training as provided by the Federal Government.

Police Drug Forfeiture Fund - This fund is used to account for revenues collected and monies expended under specific forfeiture laws.

Building Department Fund - This fund is used to account for revenues collected and monies expended for the purpose of funding planning, zoning and inspection functions.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Fire Improvement Fund - This fund is used to account for the capital improvements to the fire departments.

St. Joseph Charter Township Improvement Fund - This fund is used to account for the acquisition of tax sale properties and the subsequent improvement or sale of these properties.

Sewer Replacement and Improvement Fund - This fund is used to account for the capital improvements and future replacement of sewer lines.

**ST. JOSEPH CHARTER TOWNSHIP
GENERAL FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2005**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|-----------------------------------|-------------------------|---------------------|---------------------|----------------------|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>Final Budget</u> |
| | | | | <u>Positive</u> |
| | | | | <u>(Negative)</u> |
| Revenues: | | | | |
| Taxes | \$ 359,355 | \$ 359,355 | \$ 377,458 | \$ 18,103 |
| Licenses and permits | 80,400 | 80,400 | 83,752 | 3,352 |
| State revenues | 682,000 | 682,000 | 691,278 | 9,278 |
| Charges for services | 10,200 | 10,200 | 13,700 | 3,500 |
| Interest and rents | 25,800 | 56,800 | 48,533 | (8,267) |
| Other revenues | 25,000 | 25,000 | 60,203 | 35,203 |
| | <u>1,182,755</u> | <u>1,213,755</u> | <u>1,274,924</u> | <u>61,169</u> |
| Total Revenues | | | | |
| Expenditures: | | | | |
| Current: | | | | |
| Legislative | \$ 20,015 | \$ 23,530 | \$ 23,430 | \$ 100 |
| General government | 965,115 | 1,108,540 | 994,469 | 114,071 |
| Public safety | 65,430 | 65,430 | 62,173 | 3,257 |
| Recreation and cultural | 175,110 | 206,110 | 183,870 | 22,240 |
| | <u>1,225,670</u> | <u>1,403,610</u> | <u>1,263,942</u> | <u>139,668</u> |
| Total Expenditures | | | | |
| Net Change in Fund Balances | \$ (42,915) | \$ (189,855) | \$ 10,982 | \$ 200,837 |
| Fund Balances - Beginning of Year | <u>1,345,334</u> | <u>1,345,334</u> | <u>1,345,334</u> | <u>-</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 1,302,419</u> | <u>\$ 1,155,479</u> | <u>\$ 1,356,316</u> | <u>\$ 200,837</u> |

**ST. JOSEPH CHARTER TOWNSHIP
PUBLIC SAFETY FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2005**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|-----------------------------------|-------------------------|---------------------|---------------------|----------------------|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>Final Budget</u> |
| | | | | <u>Positive</u> |
| | | | | <u>(Negative)</u> |
| Revenues: | | | | |
| Taxes | \$ 1,511,945 | \$ 1,511,945 | \$ 1,510,584 | \$ (1,361) |
| Licenses and permits | 2,000 | 2,000 | 2,667 | 667 |
| State revenues | - | - | 5,857 | 5,857 |
| Contributions from local units | 13,300 | 13,300 | 11,454 | (1,846) |
| Charges for services | 2,500 | 2,500 | 2,524 | 24 |
| Fines and forfeitures | 10,000 | 10,000 | 7,822 | (2,178) |
| Interest | 12,000 | 12,000 | 32,102 | 20,102 |
| Other | 11,000 | 11,000 | 25,796 | 14,796 |
| Total Revenues | <u>\$ 1,562,745</u> | <u>\$ 1,562,745</u> | <u>\$ 1,598,806</u> | <u>\$ 36,061</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Police | \$ 1,247,475 | \$ 1,251,475 | \$ 1,187,072 | \$ 64,403 |
| Fire Station #1 | 133,180 | 133,180 | 88,317 | 44,863 |
| Fire Station #2 | 118,060 | 118,060 | 103,125 | 14,935 |
| Ambulance | 60,252 | 60,252 | 57,742 | 2,510 |
| Debt service: | | | | |
| Principal | 25,000 | 25,000 | 25,000 | - |
| Interest | 1,488 | 1,488 | 1,478 | 10 |
| Total Expenditures | <u>\$ 1,585,455</u> | <u>\$ 1,589,455</u> | <u>\$ 1,462,734</u> | <u>\$ 126,721</u> |
| Net Change in Fund Balances | \$ (22,710) | \$ (26,710) | \$ 136,072 | \$ 162,782 |
| Fund Balances - Beginning of Year | <u>460,304</u> | <u>460,304</u> | <u>460,304</u> | <u>-</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 437,594</u> | <u>\$ 433,594</u> | <u>\$ 596,376</u> | <u>\$ 162,782</u> |

**ST. JOSEPH CHARTER TOWNSHIP
GARBAGE AND RUBBISH COLLECTION FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2005**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|------------------------------------|--------------------------|--------------------------|--------------------------|-------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>Final Budget</u> |
| | | | | <u>Positive</u> |
| | | | | <u>(Negative)</u> |
| Revenues: | | | | |
| Taxes | \$ 512,060 | \$ 512,060 | \$ 513,376 | \$ 1,316 |
| Interest | 5,000 | 5,000 | 10,794 | 5,794 |
| Other | - | - | 3,891 | 3,891 |
| Total Revenues | <u>\$ 517,060</u> | <u>\$ 517,060</u> | <u>\$ 528,061</u> | <u>\$ 11,001</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public works | <u>\$ 469,000</u> | <u>\$ 514,000</u> | <u>\$ 501,286</u> | <u>\$ 12,714</u> |
| Total Expenditures | <u>\$ 469,000</u> | <u>\$ 514,000</u> | <u>\$ 501,286</u> | <u>\$ 12,714</u> |
| Net Change in Balances | <u>\$ 48,060</u> | <u>\$ 3,060</u> | <u>\$ 26,775</u> | <u>\$ 23,715</u> |
| Fund Balances - Beginning of Year | <u>249,648</u> | <u>249,648</u> | <u>249,648</u> | <u>-</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 297,708</u> | <u>\$ 252,708</u> | <u>\$ 276,423</u> | <u>\$ 23,715</u> |

**ST. JOSEPH CHARTER TOWNSHIP
NONMAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
December 31, 2005**

| | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Total Nonmajor Governmental Funds</u> |
|--------------------------------------|----------------------------|-----------------------------|--|
| Assets | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 145,972 | \$ 260,333 | \$ 406,305 |
| Accounts receivable | 238 | - | 238 |
| Due from other funds | - | 30,224 | 30,224 |
| Prepaid expense | 390 | - | 390 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Current Assets | \$ 146,600 | \$ 290,557 | \$ 437,157 |
| | <u> </u> | <u> </u> | <u> </u> |
| TOTAL ASSETS | \$ 146,600 | \$ 290,557 | \$ 437,157 |
| | <u> </u> | <u> </u> | <u> </u> |
| Liabilities and Fund Balances | | | |
| Current Liabilities: | | | |
| Accounts payable | \$ 26,142 | \$ 295 | \$ 26,437 |
| Deferred revenue | - | 2,412 | 2,412 |
| Payroll liabilities | 1,516 | - | 1,516 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Current Liabilities | \$ 27,658 | \$ 2,707 | \$ 30,365 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities | \$ 27,658 | \$ 2,707 | \$ 30,365 |
| | <u> </u> | <u> </u> | <u> </u> |
| Fund Balances: | | | |
| Unreserved, reported in | | | |
| Special Revenue | \$ 118,942 | \$ - | \$ 118,942 |
| Capital Projects | - | 287,850 | 287,850 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Fund Balances | \$ 118,942 | \$ 287,850 | \$ 406,792 |
| | <u> </u> | <u> </u> | <u> </u> |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 146,600 | \$ 290,557 | \$ 437,157 |
| | <u> </u> | <u> </u> | <u> </u> |

**ST. JOSEPH CHARTER TOWNSHIP
NONMAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended December 31, 2005**

| | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Total Nonmajor Governmental Funds</u> |
|--|----------------------------|-----------------------------|--|
| Revenues | | | |
| Licenses and permits | \$ 162,947 | \$ - | \$ 162,947 |
| Interest and rents | 3,014 | 34,126 | 37,140 |
| Other revenue | <u>2,637</u> | <u>-</u> | <u>2,637</u> |
| Total Revenues | <u>\$ 168,598</u> | <u>\$ 34,126</u> | <u>\$ 202,724</u> |
| Expenditures | | | |
| Current: | | | |
| General government | \$ - | \$ 5,489 | \$ 5,489 |
| Public safety | 165,693 | - | 165,693 |
| Public works | - | 17,965 | 17,965 |
| Debt service: | | | |
| Principal retirement | - | 18,896 | 18,896 |
| Interest | <u>-</u> | <u>2,319</u> | <u>2,319</u> |
| Total Expenditures | <u>\$ 165,693</u> | <u>\$ 44,669</u> | <u>\$ 210,362</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>\$ 2,905</u> | <u>\$ (10,543)</u> | <u>\$ (7,638)</u> |
| Other Financing Sources (Uses) | | | |
| Operating transfers in | \$ - | \$ 32,143 | \$ 32,143 |
| Operating transfers out | <u>-</u> | <u>(23,812)</u> | <u>(23,812)</u> |
| Total Other Financing Sources (Uses) | <u>\$ -</u> | <u>\$ 8,331</u> | <u>\$ 8,331</u> |
| Net Change in Fund Balances | \$ 2,905 | \$ (2,212) | \$ 693 |
| Fund Balances - Beginning of Year | <u>116,037</u> | <u>290,062</u> | <u>406,099</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 118,942</u> | <u>\$ 287,850</u> | <u>\$ 406,792</u> |

**ST. JOSEPH CHARTER TOWNSHIP
GENERAL FUND
Statement of Revenues, Compared to Budget
For the Year Ended December 31, 2005**

| Revenues | <u>Budget</u> | <u>Actual</u> | Variance - Positive (Negative) |
|----------------------|-------------------------|-------------------------|---|
| Taxes | \$ 359,355 | \$ 377,458 | \$ 18,103 |
| Licenses and permits | 80,400 | 83,752 | 3,352 |
| State grants | 682,000 | 691,278 | 9,278 |
| Charges for services | 10,200 | 13,700 | 3,500 |
| Interest and rents | 56,800 | 48,533 | (8,267) |
| Other revenue | <u>25,000</u> | <u>60,203</u> | <u>35,203</u> |
| TOTAL REVENUES | <u>\$ 1,213,755</u> | <u>\$ 1,274,924</u> | <u>\$ 61,169</u> |

ST. JOSEPH CHARTER TOWNSHIP
GENERAL FUND
Statement of Expenditures, Compared to Budget
For the Year Ended December 31, 2005
With Comparative Totals for the Year Ended December 31, 2004

| | <u>2005</u> | | <u>Variance -</u> | |
|------------------------------------|---------------|---------------|-------------------|---------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Positive</u> | <u>2004</u> |
| | | | <u>(Negative)</u> | <u>Actual</u> |
| Legislative | | | | |
| Township Board | | | | |
| Salaries - Elected officials | | \$ 18,360 | | \$ 18,000 |
| Payroll taxes | | 1,405 | | 1,377 |
| Education and travel | | 1,870 | | 1,630 |
| Office supplies | | 1,765 | | 48 |
| Miscellaneous | | 30 | | 228 |
| Total Legislative | \$ 23,530 | \$ 23,430 | \$ 100 | \$ 21,283 |
| General Government | | | | |
| Supervisor | | | | |
| Salaries - Elected officials | | \$ 15,300 | | \$ 15,000 |
| Payroll taxes | | 1,170 | | 1,148 |
| Education and travel | | 1,491 | | 846 |
| Office supplies | | 30 | | - |
| Communication | | 73 | | 184 |
| Miscellaneous | | 84 | | - |
| Total Supervisor | \$ 18,770 | \$ 18,148 | \$ 622 | \$ 17,178 |
| Clerk | | | | |
| Salaries and wages: | | | | |
| Elected officials | | \$ 14,790 | | \$ 14,500 |
| Full-time employees | | 38,639 | | 39,221 |
| Part-time employees | | 2,363 | | 1,200 |
| Overtime | | - | | 1,719 |
| Longevity | | 966 | | 947 |
| Payroll taxes | | 4,342 | | 4,394 |
| Hospitalization and life insurance | | 11,538 | | 11,111 |
| Retirement contribution | | 5,409 | | 5,302 |
| Office supplies | | 72 | | 343 |
| Education and travel | | 1,632 | | 2,947 |
| Communication | | 153 | | 138 |
| Equipment | | 1,296 | | - |
| Contractual services | | 480 | | 480 |
| Printing and publishing | | 3,202 | | 2,520 |
| Miscellaneous | | 173 | | 54 |
| Total Clerk | 86,695 | \$ 85,055 | 1,640 | \$ 84,876 |

ST. JOSEPH CHARTER TOWNSHIP
GENERAL FUND
Statement of Expenditures, Compared to Budget
For the Year Ended December 31, 2005
With Comparative Totals for the Year Ended December 31, 2004

| | <u>2005</u> | | <u>Variance -</u> | |
|--------------------------------------|---------------|---------------|-------------------|---------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Positive</u> | <u>2004</u> |
| | | | <u>(Negative)</u> | <u>Actual</u> |
| General Government, continued | | | | |
| Treasurer | | | | |
| Salaries and wages: | | | | |
| Elected officials | | \$ 14,790 | | \$ 14,500 |
| Full-time employees | | 38,962 | | 38,020 |
| Part-time employees | | - | | 340 |
| Overtime | | 425 | | 354 |
| Longevity pay | | 3,864 | | 3,787 |
| Payroll taxes | | 4,359 | | 4,372 |
| Office equipment | | 835 | | - |
| Hospitalization and life insurance | | 12,655 | | 12,192 |
| Retirement contribution | | 5,409 | | 5,302 |
| Computer services | | 15,972 | | 15,458 |
| Office supplies | | 1,106 | | 1,946 |
| Postage | | 5,075 | | 4,784 |
| Education and travel | | 1,213 | | 1,287 |
| Miscellaneous | | 144 | | 233 |
| | | | | |
| Total Treasurer | 109,350 | \$ 104,809 | 4,541 | \$ 102,575 |
| | | | | |
| Administrative and Office | | | | |
| Salaries and wages: | | | | |
| Full-time employees | | \$ 109,829 | | \$ 107,253 |
| Longevity pay | | 2,754 | | 2,700 |
| Payroll taxes | | 7,974 | | 7,899 |
| Hospitalization and life insurance | | 18,443 | | 16,680 |
| Office supplies | | 8,345 | | 6,674 |
| Retirement contribution | | 15,080 | | 14,784 |
| Contract services | | 9,921 | | 9,537 |
| Education and travel | | 2,418 | | 1,202 |
| Newsletter | | 6,474 | | 2,542 |
| Printing and publishing | | 682 | | 516 |
| Postage | | 2,729 | | 2,870 |
| Equipment | | 5,128 | | 297 |
| Miscellaneous | | 27 | | 89 |
| | | | | |
| Total Administrative and Office | 197,725 | \$ 189,804 | 7,921 | \$ 173,043 |

ST. JOSEPH CHARTER TOWNSHIP
GENERAL FUND
Statement of Expenditures, Compared to Budget
For the Year Ended December 31, 2005
With Comparative Totals for the Year Ended December 31, 2004

| | <u>2005</u> | | <u>Variance -</u> | <u>2004</u> |
|--------------------------------------|---------------|---------------|--------------------------------------|---------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Positive</u> <u>(Negative)</u> | <u>Actual</u> |
| General Government, continued | | | | |
| Assessor and Board of Review | | | | |
| Salaries and wages: | | | | |
| Appointed officials | | \$ 900 | | \$ 780 |
| Full-time employees | | 53,114 | | 51,801 |
| Longevity pay | | 1,326 | | 1,300 |
| Retirement contribution | | 7,426 | | 7,280 |
| Payroll taxes | | 3,953 | | 3,800 |
| Hospitalization and life insurance | | 12,750 | | 12,286 |
| Office supplies | | 800 | | 259 |
| Printing and publishing | | 475 | | 407 |
| Postage | | 2,033 | | 1,849 |
| Education and travel | | 1,621 | | 1,474 |
| Legal fees | | 2,313 | | 4,807 |
| Gasoline and oil | | 167 | | 23 |
| Contract services | | 2,050 | | 1,432 |
| Equipment | | 1,208 | | 1,095 |
| Miscellaneous | | - | | 10 |
| Total Assessor and Board of Review | 91,410 | \$ 90,136 | 1,274 | \$ 88,603 |
| Election | | | | |
| Salaries and wages: | | | | |
| Election workers | | \$ 4,275 | | \$ 12,300 |
| Payroll taxes | | 6 | | 67 |
| Office supplies | | 5,406 | | 3,863 |
| Postage | | 4,138 | | 2,751 |
| Contract services | | 885 | | 2,948 |
| Education and travel | | 445 | | 1,438 |
| Printing and publishing | | 340 | | 177 |
| Repairs and maintenance | | - | | 345 |
| Miscellaneous | | 351 | | 378 |
| Total Election | 16,300 | \$ 15,846 | 454 | \$ 24,267 |

ST. JOSEPH CHARTER TOWNSHIP
GENERAL FUND
Statement of Expenditures, Compared to Budget
For the Year Ended December 31, 2005
With Comparative Totals for the Year Ended December 31, 2004

| | <u>2005</u> | | <u>Variance -</u> | |
|--------------------------------------|---------------|---------------|-------------------|---------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Positive</u> | <u>2004</u> |
| | | | <u>(Negative)</u> | <u>Actual</u> |
| General Government, continued | | | | |
| Township Hall and Grounds | | | | |
| Salaries and wages: | | | | |
| Full-time employees | | \$ 23,952 | | \$ 23,658 |
| Overtime | | - | | 28 |
| Longevity pay | | 1,762 | | 1,152 |
| Retirement contribution | | 3,290 | | 3,226 |
| Payroll taxes | | 1,838 | | 1,784 |
| Workers' compensation | | 2,781 | | 1,548 |
| Life and health insurance | | 6,781 | | 6,669 |
| Operating supplies | | 6,338 | | 4,916 |
| Gasoline and oil | | 2,230 | | 1,673 |
| Contract services | | 14,258 | | 15,177 |
| Communication | | 8,868 | | 7,774 |
| Insurance and bonds | | 25,736 | | 21,270 |
| Education and travel | | 168 | | - |
| Electricity | | 15,021 | | 15,961 |
| Heat | | 7,466 | | 6,915 |
| Water and sewer | | 516 | | 401 |
| Repairs and maintenance: | | | | |
| Building | | 19,674 | | 2,869 |
| Equipment | | 659 | | 1,781 |
| Grounds | | 928 | | 242 |
| Vehicle | | 1,673 | | 197 |
| Building improvements | | 51,063 | | - |
| Equipment | | 10,851 | | 120 |
| Equipment lease/rental | | 2,911 | | 1,978 |
| Miscellaneous | | 137 | | 29 |
| Total Township Hall and Grounds | 246,225 | \$ 208,901 | 37,324 | \$ 119,368 |

ST. JOSEPH CHARTER TOWNSHIP
GENERAL FUND
Statement of Expenditures, Compared to Budget
For the Year Ended December 31, 2005
With Comparative Totals for the Year Ended December 31, 2004

| | <u>2005</u> | | <u>Variance -</u> | |
|--------------------------------------|---------------|---------------|-------------------|---------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Positive</u> | <u>2004</u> |
| | | | <u>(Negative)</u> | <u>Actual</u> |
| General Government, continued | | | | |
| General Services | | | | |
| Audit fees | | \$ 19,400 | | \$ 43,137 |
| Contractual services | | 9,933 | | 7,930 |
| Engineering fees | | 21,981 | | 3,361 |
| Legal fees | | 11,872 | | 19,383 |
| Library contract | | 164,914 | | 162,428 |
| Roads | | 9,121 | | 5,587 |
| Drains | | 1,863 | | 975 |
| Education and travel | | 5,171 | | 5,131 |
| Street lights | | 30,225 | | 31,082 |
| County revolving fund remittance | | 1,001 | | 646 |
| Insurance | | - | | 165 |
| Miscellaneous | | 125 | | 1,836 |
| Total General Services | 328,500 | \$ 275,606 | 52,894 | \$ 281,661 |
| Planning | | | | |
| Salary appointed | | \$ 3,135 | | \$ 4,400 |
| Payroll taxes | | 213 | | 337 |
| Legal fees | | 615 | | 5,877 |
| Contractual services | | - | | 180 |
| Education and travel | | 180 | | 250 |
| Printing and publishing | | 1,981 | | 1,153 |
| Miscellaneous | | 40 | | - |
| Total Planning | 13,565 | \$ 6,164 | 7,401 | \$ 12,197 |
| Total General Government | \$ 1,108,540 | \$ 994,469 | \$ 114,071 | \$ 903,768 |

ST. JOSEPH CHARTER TOWNSHIP
GENERAL FUND
Statement of Expenditures, Compared to Budget
For the Year Ended December 31, 2005
With Comparative Totals for the Year Ended December 31, 2004
2005

| | <u>Budget</u> | <u>Actual</u> | <u>Variance - Positive (Negative)</u> | <u>2004 Actual</u> |
|------------------------------------|---------------------|---------------------|---|------------------------|
| Ordinance Enforcement | | | | |
| Salaries and wages: | | | | |
| Full-time employees | | \$ 37,522 | | \$ 36,786 |
| Longevity | | 3,752 | | 3,679 |
| Payroll taxes | | 3,058 | | 3,025 |
| Hospitalization and life insurance | | 8,710 | | 8,389 |
| Retirement contribution | | 5,253 | | 5,150 |
| Office supplies | | 673 | | 681 |
| Gasoline and oil | | 720 | | 531 |
| Communication | | 791 | | 722 |
| Legal fees | | 1,155 | | 2,093 |
| Education and travel | | 40 | | 40 |
| Contractual services | | 26 | | - |
| Vehicle maintenance | | 473 | | 2,171 |
| Total Ordinance Enforcement | \$ 65,430 | \$ 62,173 | \$ 3,257 | \$ 63,267 |
| Recreational and Cultural | | | | |
| Parks and Recreation | | | | |
| Salaries and wages: | | | | |
| Full-time employees | | \$ 15,968 | | \$ 15,772 |
| Part-time employees | | 42,177 | | 51,090 |
| Overtime | | - | | 47 |
| Longevity | | 1,175 | | 768 |
| Unemployment compensation | | - | | 9,210 |
| Retirement contribution | | 2,193 | | 2,150 |
| Payroll taxes | | 4,478 | | 5,127 |
| Life and health insurance | | 4,760 | | 4,446 |
| Operating supplies | | 4,655 | | 8,309 |
| Gasoline and oil | | 4,230 | | 2,552 |
| Utilities | | 11,209 | | 3,947 |
| Contractual services | | 6,244 | | 240 |
| General insurance | | 7,718 | | 27,668 |
| Publishing | | - | | 429 |
| Communication | | 1,200 | | - |
| Repairs and maintenance: | | | | |
| Buildings | | 592 | | 2,091 |
| Equipment | | 3,400 | | 1,304 |
| Grounds | | 21,504 | | 9,107 |
| Vehicles | | 684 | | 692 |
| Equipment | | 7,195 | | 1,787 |
| Education and travel | | 12,799 | | - |
| Wilderness trail | | 1,244 | | 41,552 |
| Roads | | - | | 1,201 |
| Land improvements | | 30,399 | | - |
| Miscellaneous | | 46 | | 17 |
| Total Parks and Recreation | \$ 206,110 | \$ 183,870 | \$ 22,240 | \$ 189,506 |
| TOTAL EXPENDITURES | \$ 1,403,610 | \$ 1,263,942 | \$ 139,668 | \$ 1,177,824 |

**ST. JOSEPH CHARTER TOWNSHIP
NONMAJOR SPECIAL REVENUE FUNDS
Combining Balance Sheet
December 31, 2005**

| Assets | Police Training | Police Drug Forfeiture | Building Department | Total |
|--|----------------------------|---------------------------------------|--------------------------------|-------------------|
| Cash | \$ 5,939 | \$ 15,239 | \$ 124,794 | \$ 145,972 |
| Accounts receivable | - | - | 238 | 238 |
| Prepaid expense | - | - | 390 | 390 |
| TOTAL ASSETS | \$ 5,939 | \$ 15,239 | \$ 125,422 | \$ 146,600 |
| Liaibilities and Fund Equity | | | | |
| Liabilities | | | | |
| Accounts payable | \$ - | \$ - | \$ 26,142 | \$ 26,142 |
| Payroll liabilities | - | - | 1,516 | 1,516 |
| Total Liabilities | \$ - | \$ - | \$ 27,658 | \$ 27,658 |
| Fund Equity | | | | |
| Fund balances | 5,939 | 15,239 | 97,764 | 118,942 |
| TOTAL LIABILITIES AND FUND EQUITY | \$ 5,939 | \$ 15,239 | \$ 125,422 | \$ 146,600 |

**ST. JOSEPH CHARTER TOWNSHIP
NONMAJOR SPECIAL REVENUE FUNDS
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended December 31, 2005**

| | <u>Police Training</u> | <u>Police Drug Forfeiture</u> | <u>Building Department</u> | <u>Total</u> |
|----------------------------------|----------------------------|-----------------------------------|--------------------------------|-------------------|
| Revenues | | | | |
| Licenses and permits | \$ - | \$ - | \$ 162,947 | \$ 162,947 |
| Interest | 282 | 387 | 2,345 | 3,014 |
| Other revenue | - | - | 2,637 | 2,637 |
| Total Revenues | <u>\$ 282</u> | <u>\$ 387</u> | <u>\$ 167,929</u> | <u>\$ 168,598</u> |
| Expenditures | | | | |
| Public safety | <u>\$ 3,808</u> | <u>\$ 11,264</u> | <u>\$ 150,621</u> | <u>\$ 165,693</u> |
| Net Change in Fund Balances | \$ (3,526) | \$ (10,877) | \$ 17,308 | \$ 2,905 |
| Fund Balances, Beginning of Year | <u>9,465</u> | <u>26,116</u> | <u>80,456</u> | <u>116,037</u> |
| FUND BALANCES, END OF YEAR | <u>\$ 5,939</u> | <u>\$ 15,239</u> | <u>\$ 97,764</u> | <u>\$ 118,942</u> |

**ST. JOSEPH CHARTER TOWNSHIP
NONMAJOR CAPITAL PROJECTS FUNDS
Combining Balance Sheet
December 31, 2005**

| | Fire Improvement Fund | St. Joseph Charter Township Improvement Fund | Sewer Replacement and Improvement Fund | Total |
|--|--------------------------------------|---|---|--------------------------|
| Assets | | | | |
| Cash | \$ 176,786 | \$ 17,359 | \$ 66,188 | \$ 260,333 |
| Due from other funds | <u>30,224</u> | <u>-</u> | <u>-</u> | <u>30,224</u> |
| TOTAL ASSETS | <u>\$ 207,010</u> | <u>\$ 17,359</u> | <u>\$ 66,188</u> | <u>\$ 290,557</u> |
| Liabilities and Fund Equity | | | | |
| Liabilities | | | | |
| Accounts payable | \$ - | \$ 295 | \$ - | \$ 295 |
| Deferred revenue | <u>-</u> | <u>2,412</u> | <u>-</u> | <u>2,412</u> |
| Total Liabilities | <u>\$ -</u> | <u>\$ 2,707</u> | <u>\$ -</u> | <u>\$ 2,707</u> |
| Fund Equity | | | | |
| Fund balance | <u>\$ 207,010</u> | <u>\$ 14,652</u> | <u>\$ 66,188</u> | <u>\$ 287,850</u> |
| TOTAL LIABILITIES AND FUND EQUITY | <u>\$ 207,010</u> | <u>\$ 17,359</u> | <u>\$ 66,188</u> | <u>\$ 290,557</u> |

**ST. JOSEPH CHARTER TOWNSHIP
NONMAJOR CAPITAL PROJECTS FUNDS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
For the Year Ended December 31, 2005**

| | Fire Improvement Fund | St. Joseph Charter Township Improvement Fund | Sewer Replacement and Improvement Fund | Total |
|--|--------------------------------------|---|---|--------------|
| Revenues | | | | |
| Interest and rents | \$ 3,567 | \$ 28,894 | \$ 1,665 | \$ 34,126 |
| Total Revenues | \$ 3,567 | \$ 28,894 | \$ 1,665 | \$ 34,126 |
| Expenditures | | | | |
| Current: | | | | |
| Maintenance | \$ - | \$ 3,993 | \$ - | \$ 3,993 |
| Professional fees | - | 645 | - | 645 |
| Interceptor improvements | - | - | 17,965 | 17,965 |
| Miscellaneous | - | 851 | - | 851 |
| Debt service: | | | | |
| Principal | - | 18,896 | - | 18,896 |
| Interest | - | 2,319 | - | 2,319 |
| Total Expenditures | \$ - | \$ 26,704 | \$ 17,965 | \$ 44,669 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | \$ 3,567 | \$ 2,190 | \$ (16,300) | \$ (10,543) |
| Other Financing Sources (Uses) | | | | |
| Operating transfers in | \$ - | \$ - | \$ 32,143 | \$ 32,143 |
| Operating transfers out | - | - | (23,812) | (23,812) |
| Total Other Financing Sources (Uses) | \$ - | \$ - | \$ 8,331 | \$ 8,331 |
| Net Change in Fund Balance | \$ 3,567 | \$ 2,190 | \$ (7,969) | \$ (2,212) |
| Fund Balance, Beginning of Year | 203,443 | 12,462 | 74,157 | 290,062 |
| FUND BALANCE, END OF YEAR | \$ 207,010 | \$ 14,652 | \$ 66,188 | \$ 287,850 |

ST. JOSEPH CHARTER TOWNSHIP
PROPRIETARY FUNDS
Statement of Expenses
For the Year Ended December 31, 2005

| | <u>Sewer Fund</u> | <u>Water Fund</u> |
|---------------------------------|-----------------------|-----------------------|
| Operating Expenses: | | |
| Personnel costs | \$ 165,766 | \$ - |
| Contractual services | 69,859 | 7,406 |
| Contributions | 36,999 | 28,778 |
| Operating supplies | 4,521 | - |
| Gas and oil | 4,335 | - |
| Uniforms | 1,755 | - |
| Utilities | 16,214 | - |
| Insurance | 9,292 | - |
| Education and travel | - | 928 |
| Sewer treatment - St. Joseph | 375,637 | - |
| Sewer treatment - Benton Harbor | 109,558 | - |
| Fire hydrant rental | - | 2,099 |
| Repairs and maintenance | 12,432 | - |
| Miscellaneous | <u>2,567</u> | <u>198</u> |
| Total Operating Expenses | <u>\$ 808,935</u> | <u>\$ 39,409</u> |

**ST. JOSEPH CHARTER TOWNSHIP
FIDUCIARY FUNDS
Combining Balance Sheet
For the Year Ended December 31, 2005**

| | Current Tax | Delinquent Tax | Benton Harbor | Balance |
|---|--------------------------|------------------------|---------------------------|----------------------------|
| TOTAL ALL FIDUCIARY FUNDS | <u>Fund</u> | <u>Fund</u> | <u>Escrow Fund</u> | <u>December 31,</u> |
| Assets | | | | <u>2005</u> |
| Cash | \$ 775,275 | \$ 3,423 | \$ 69,626 | \$ 848,324 |
| Due from other governments | - | - | 1,161 | 1,161 |
| Due from other funds | <u>1,202</u> | <u>-</u> | <u>-</u> | <u>1,202</u> |
| TOTAL ASSETS | <u>\$ 776,477</u> | <u>\$ 3,423</u> | <u>\$ 70,787</u> | <u>\$ 850,687</u> |
| Liabilities | | | | |
| Undistributed taxes, interest, licenses and revenues | \$ 335,418 | \$ 529 | \$ 3,026 | \$ 338,973 |
| Due to other governments | - | 2,838 | 31,134 | 33,972 |
| Due to other funds | <u>441,059</u> | <u>56</u> | <u>36,627</u> | <u>477,742</u> |
| TOTAL LIABILITIES | <u>\$ 776,477</u> | <u>\$ 3,423</u> | <u>\$ 70,787</u> | <u>\$ 850,687</u> |

ST. JOSEPH CHARTER TOWNSHIP

COMMENTS AND RECOMMENDATIONS

December 31, 2005

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Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

January 31, 2006

Members of
St. Joseph Charter Township Board

In connection with our audit of the combined financial statements of St. Joseph Charter Township as of December 31, 2005, we have made a review of accounting procedures and internal control. While the primary objective of such a review is to afford us a basis of determining the scope of our audit procedures, it nevertheless presents us with an opportunity to submit, for your consideration, suggestions for changes in procedures, which, in our opinion, would strengthen internal control or contribute to the improvement of operating efficiency.

The comments in this letter are based upon observations made in the course of such review. The review was not designed for the purpose of expressing an opinion on internal accounting control, and it would not necessarily disclose all weaknesses in the system. The matters discussed herein were considered during our examination of the financial statements. We offer for your review the comments and recommendations as noted on the following page.

If we can be of any help in implementing any of these suggestions or if you have any questions regarding these or any other matters, please feel free to contact us.

Once again, we would like to thank all of the officials and employees of St. Joseph Charter Township for the cooperation and courtesy extended to us during the course of our engagement.

Very truly yours,


GERBEL & COMPANY, P.C.
Certified Public Accountants

Right. On time.

PHONE: 269-983-0534 ■ FAX: 269-983-7050 ■ EMAIL: gerbel@parrett.net ■ WEB SITE: www.gerbel.com 1

1. Activity in the Police Training Fund may be accounted for in the Public Safety Fund. The Township should consider moving the Police Training Fund into the Public Safety Fund to help reduce unnecessary funds.
2. Currently each credit card holder approves payment for their credit card statement. To strengthen controls the Township should designate a member of the Board to review and approve payment for all credit card expenditures. We reviewed all the credit card charges incurred and all were deemed appropriate.
3. The payment from the Township to the City of St. Joseph includes Royalton Township's share. In the past, the reimbursement from Royalton Township has been reported on the financial statements as revenue. To better reflect St. Joseph Charter Township's wastewater treatment expense on the financial statement, the expense has been offset by the reimbursement received from Royalton Township.
4. The City of Benton Harbor is not making water/sewer deposits to the escrow account in a timely manner. This is causing the finance director to have problems reconciling the daily reports received from Benton Harbor to the deposits made. Though this is out of the Township's control, we felt it necessary to inform the Board.
5. Our suggestions from prior years have been implemented in a timely and efficient manner.
6. The Township's administration and personnel displayed a high level of dedication and cooperation in performing their duties and assisting us in completing ours.